

0002

01
01
02
02
03
03
04
04
05
05
06
06
07
07
08
08
09
09
10
10
11
11
12
12
13
13
14
14
15
15
16
16
17
17
18
18
19
19
20
20
21
21
22
22
23
23
24
24
25
25
26
26
27
27
28
28

BEFORE THE CALIFORNIA HORSE RACING BOARD
OF THE STATE OF CALIFORNIA
ROBERT H. TOURTELOT, CHAIRMAN

In the Matter of:)
)
The Regular Board Meeting of)
the California Horse Racing Board)
_____)

TRANSCRIPT OF PROCEEDINGS, taken
at 2260 Jimmy Durante Boulevard, Del Mar,
California, commencing at 11:00 a.m.,
on Friday, August 25, 2000, reported by
Frances Eggleston, RPR, CSR No. 11662,
a Certified Shorthand Reporter in and for
the State of California.

0003

01 Appearances:

01

02 Chairman: Robert H. Tourtelot

02

03 Vice-Chairman: Joseph B. Fenley

03

04 Member: Sheryl L. Granzella

04

05 Member: Marie G. Moretti

05

06 Executive Director: Roy C. Wood, Jr.

06

07 Executive Director: Roy Minami

07

08 Deputy Attorney General: Tom Blake

08

09

09

10

10

11

11

12

12

13

13

14

14

15

15

16

16

17

17

18

18

19

19

20

20

21

21

22

22

23

23

24

24

25

25

26

26

27

27

28

28

0004

01

I N D E X

01

02 AGENDA ITEM NUMBER:

PAGE

02

03 1 - Approval of the minutes for the 6
03 regular meeting of July 27, 2000

04

04 2 - Discussion and action by the Board on the 6
05 Application for License to Conduct a
05 Horse Racing Meeting of the Oak Tree Racing
06 Association (T) at Santa Anita, commencing
06 October 4 through November 6, 2000, inclusive

07

07 3 - Discussion and action by the Board on the 10
08 Application for License to Conduct a Horse
08 Racing Meeting of the Fresno District Fair (F)
09 at the Fresno Fairgrounds, commencing
09 October 4 through October 15, 2000

10

10 4 - Discussion and action by the Board on the 11
11 Application to Conduct a Harness Racing
11 Meeting of Capitol Racing LLC, (H) at the
12 California Exposition and Fair, commencing
12 October 13 through December 16, 2000

13

13 5 - Discussion and action by the Board on the 13
14 request from Magna Entertainment Corporation
14 On its proposed acquisition of the Bay Meadows
15 Operating Company LLC, pursuant to Business and
15 Professions Code Section 19483

16

16 6 - General Business 97

17

17

18

18

19

19

20

20

21

21

22

22

23

23

24

24

25

25

26

26

27

27

28

28

0005

01 Del Mar, California, August 25, 2000
02 11:00 a.m.

03

04

05 MR. WOOD: Good morning. Everyone please take a
06 seat. We'll try to bring the meeting to order. I would
07 like to welcome you to the regularly scheduled Board
08 meeting of the California Horse Racing Board. It is being
09 conducted on August the 25th, 2000, at the Del Mar
10 Satellite Facility in Del Mar, California. Present at
11 today's meeting are Chairman Robert Tourtelot,
12 Vice-Chairman Joseph Fenley, Commissioner Sheryl
13 Granzella, and Commissioner Marie Moretti.

14 Before we move forward with the business of the
15 today's meeting, I would like to respectfully request that
16 if you give testimony in front of the Board, that you
17 please state your name and your association for our court
18 reporter. If you have a business card to provide for her
19 that would be appreciated.

20 With that, I would like to turn the meeting over
21 to our Chairman, Mr. Robert Tourtelot.

22 MR. TOURTELOT: Good morning. Welcome to the August
23 meeting of the California Horse Racing Board. Last time
24 someone mentioned to me that they were not able to, in the
25 back, hear all of the Commissioners. I don't know if it's
26 the microphones or what it is; but if someone can't hear,
27 let us know. We certainly want everybody to be able to
28 hear what's being said.

0006

01 The first item on the agenda is approval of the
02 minutes for the regular meeting of July 27th, 2000.

03 Do I have a motion?

04 MS. MORETTI: I move to have the minutes approved.

05 UNIDENTIFIED SPEAKER: Second.

06 MR. TOURTELOT: We have a motion and a second. All in
07 favor.

08 (Motion was unanimously carried.)

09 MR. TOURTELOT: Proposed. Carried.

10 The next item is discussion and action by the
11 Board on the Application to Conduct a Horse Racing Meeting
12 for the Oak Tree Association in Santa Anita commencing
13 October 4 through November 6, 2000.

14 Jackie.

15 MS. WAGNER: Jackie Wagner, CHRB staff. The Oak Tree
16 Racing Association is proposing to race from October 4
17 through November 6, 2000, for 27 days, which is four days
18 less than 1999. The association is proposing to race 232
19 races or 8.6 races per day. They will be racing five days
20 per week with eight races per day weekdays and nine races
21 on opening/closing dates, weekends, and holidays. They're
22 proposing to race six days per week the week of October 9
23 through the 15th and November 1 through 6.

24 They meet the 10-percent requirement for the six
25 races for Cal Bred, and they are requesting the option to
26 program ten races on opening and closing days, weekends
27 and holidays. Their first post time will be 1:00 p.m.

28 weekdays with a 12:00 p.m. post on Saturdays and Sundays
0007
01 and holidays. The special days will be Breeder's Cup on
02 Saturday, November 4 with a 9:30 post; 12:00 p.m. post for
03 Saturday, October 28; and a 12:30 post for Columbus Day,
04 Monday, October 9, and closing day, Monday, November the
05 6th.
06 They will be using the wagering program, all CHRB
07 rules for the program. We have received the horsemen's
08 agreement. There are some additional items that are
09 outstanding, and the staff would recommend that the Board
10 approve the application contingent upon us receiving this
11 information.
12 MR. TOURTELOT: All right. Before I ask questions of
13 the fellow Commissioners, let me ask a question. I
14 thought that we had talked at one time about adding
15 something to the application with respect to compliance
16 with the Building and Safety Code.
17 MS. WAGNER: We are in the process of doing that,
18 Mr. Chairman. That has to go through the rule-making
19 process. So the 45-day comment period will be commencing
20 very shortly. After that, once the Board approves it, it
21 will be part of the application.
22 MR. TOURTELOT: Good. All right. So it's not in the
23 application, but in substance it is still something that
24 we can inquire about?
25 MS. WAGNER: Absolutely.
26 MR. TOURTELOT: Anything you can tell us, Staff, about
27 what the status of that is? Oak Tree is just leasing the
28 facility, right, for that period? Where do we stand on
0008
01 that?
02 MS. WAGNER: In terms of the inspections?
03 MR. TOURTELOT: Yes.
04 MS. WAGNER: I believe that facility has been
05 inspected.
06 MR. TOURTELOT: Nothing has been brought to the staff?
07 MS. WAGNER: Nothing has been brought to our
08 attention.
09 MR. TOURTELOT: I assume that you in your lease
10 agreement would have some provision that the track would
11 have all these facilities in compliance with the various
12 codes and statutes. It's not incumbent on Oak Tree to be
13 dealing with those violations.
14 MR. CHILLINGWORTH: Mr. Chairman, our generic lease
15 would provide that the facilities would conform with all
16 the existing laws and regulations. I know that the City
17 of Arcadia has been over there inspecting for housing
18 purposes, and Lonny apparently has some late information
19 I believe he would like to share with you.
20 MR. POWELL: Thank you, Mr. Chairman, Members of the
21 Board. It's not really late information. It's just to
22 augment --
23 MR. TOURTELOT: State your name, please.
24 MR. POWELL: Lonny Powell, President and CEO of
25 Santa Anita. Right now we are under construction on the
26 backstretch on a number of different items that I was

27 going to discuss later. One of those is bringing the
28 living quarters up to the requirements. We have met
0009
01 numerous times with the County, with the City, and I've
02 had some very productive meetings working under their
03 observation, support, and tutelage. So yes, we are
04 advancing that program forward.
05 MR. TOURTELOT: Great.
06 MR. CHILLINGWORTH: One reason we were a little late
07 this morning is Ed Halpern and I met, just concluded a
08 meeting here like four minutes ago; and we have a signed
09 agreement with the CTT as well as the purse agreement. So
10 both ends have been taken care of.
11 MR. TOURTELOT: And do the Commissioners have any
12 questions?
13 MS. MORETTI: With that signed agreement, what else is
14 missing from the application?
15 MS. WAGNER: From this application we are missing
16 basically housekeeping things that come in as it gets
17 closer to the meet. Those would include a fire clearance;
18 a financial statement as of May 31, 2000; there are
19 scheduled out-of-state feature races and imported
20 simulcast races other than the thoroughbreds that they
21 intend to take, and the bank accounts for the paymaster
22 account.
23 MR. WOOD: And we will assure that all of those are
24 in receipt before the meet starts.
25 MR. TOURTELOT: They will assure us.
26 MR. WOOD: They will assure we will assure you.
27 MR. TOURTELOT: Any other questions from the
28 Commissioners? Any questions from the audience?
0010
01 The Chair will entertain a motion to approve the
02 application with respect to the Oak Tree Racing
03 Association October 4 through November 6, 2000.
04 MS. MORETTI: I move with the contingent receipt of
05 those materials that Jackie just mentioned.
06 MR. TOURTELOT: The motion is approved subject to all
07 of the items that Jackie enumerated being delivered to the
08 staff prior to the actual meets.
09 MS. GRANZELLA: I second the motion.
10 MR. TOURTELOT: All in favor?
11 (Motion was unanimously carried.)
12 MR. CHILLINGWORTH: Thank you very much.
13 MR. TOURTELOT: Item Number 3 is the discussion and
14 action by the Board on the Application for License to
15 Conduct a Harness Racing Meeting of the Fresno District
16 Fair at the Fresno Fairgrounds commencing October 4
17 through October 15, 2000.
18 MS. WAGNER: Jackie Wagner, CHRB Staff. The Fresno
19 County Fair is proposing to race from October 4 through
20 October 15, 2000, for 11 days, which is the same as 1999.
21 The fair is proposing to race a total of 109 races which
22 are five races less than in 1999. They will be racing
23 five days the first week, six days the second week, with
24 nine races per day on Monday, Wednesday, and Thursday; and
25 ten races on Sunday; and eleven races on Friday and

26 Saturday. The number of races that will be programmed
27 will be conditioned upon the daily availability for each
28 breed.

0011

01 First post time will be 12:40 p.m. Friday and
02 Saturday with a 1:10 p.m. post on Monday, Wednesday,
03 Thursday, and Sunday. The wagering program will use all
04 the CHRB rules. The items still needed for this
05 application are horsemen's agreement from the quarter horse
06 staff. Staff would recommend that the Board approve the
07 application contingent upon us receiving this
08 information.

09 MR. TOURTELOT: Any questions from the Commissioners?
10 Any questions from the audience? Then the Chair will
11 entertain a motion to approve the application for the
12 Fresno District Fair, October 4, 2000 to
13 October 15, 2000.

14 MS. MORETTI: I'll make a motion to approve.

15 MS. GRANZELLA: I'll second.

16 MR. TOURTELOT: All in favor?

17 (Motion was unanimously carried.)

18 MR. TOURTELOT: Motion passed.

19 Item 4, Discussion and Action by the Board on the
20 Application for License to Conduct a Harness Racing
21 Meeting of Capitol Racing at the Cal Expo Fair commencing
22 October 13 through December 16, 2000.

23 MS. WAGNER: Jackie Wagner, CHRB Staff. This
24 application is from the Capitol Racing Association. It
25 represents the second half of a split meeting that will
26 run from October 13 through December 16. The number of
27 nights allocated for this period is 38. Capitol is
28 requesting that they race 28 nights with the option to

0012

01 increase to 31 if sufficient horses are available. They
02 raised 29 nights during the fall of 1999 meet.

03 The Association is proposing to race a total of
04 422 races or 13.6 races per night. They will be racing
05 two nights per week, Friday and Saturday, through
06 October 21; three nights per week Wednesday, Saturday, and
07 Friday through November 25; and four nights per week
08 Wednesday through Saturday through December 16. Their
09 first live post will be 5:35 p.m. Wednesday and Thursday
10 with a 6:45 p.m. post Friday and Saturday. The wagering
11 program will utilize a combination of both the CHRB and
12 ARCI rules.

13 The information needed to complete this
14 application is a horsemen's agreement. Staff would
15 recommend that the Board approve the application
16 contingent upon us receiving this additional information.

17 MR. TOURTELOT: Good morning, Alan.

18 MR. HOROWITZ: Alan Horowitz, Capitol Racing
19 Association. The horsemen's agreement, the purse schedule,
20 and the stakes schedule have been agreed to. We are in the
21 process of meeting with the negotiating committee; and
22 we've had no problems.

23 MR. TOURTELOT: Any questions from Mr. Horowitz,
24 Jackie -- or any Commissioners? Any comment from the

25 audience? The Chair will entertain a motion to approve
26 Item Number 4, the Application for License for Capitol
27 Racing October 13 through December 16, 2000.
28 MS. MORETTI: I'll make a motion to approve.

0013

01 MR. TOURTELOT: Second?
02 MS. GRANZELLA: I'll second it.
03 MR. TOURTELOT: All in favor?
04 (Motion was unanimously carried.)
05 MR. TOURTELOT: Approved.
06 Item Number 5. We're on track for a
07 world record here. The record is 28 minutes. We're not
08 going to make that today. Item Number 5, Discussion and
09 Action by the Board on the request for Magna Entertainment
10 Corporation on its proposed acquisition of the Bay Meadows
11 Operating Company LLC, pursuant to Business and
12 Professions Code Section 19483.
13 MR. REAGAN: John Reagan, CHRB Staff. That's
14 R-e-a-g-a-n. As indicated by the staff analysis, there is
15 an extensive letter here from the Magna Entertainment
16 folks explaining their position on the acquisition of
17 Bay Meadows. We also have a couple of letters from some
18 of the local fairs in Northern California expressing their
19 concern; and I understand we had a delivery from
20 Mr. Korbeian on his thoughts on the transaction. Also as
21 indicated in the staff analysis, the Magna folks are here
22 and are willing and able to answer any and all questions
23 you have concerning this transaction.
24 MR. TOURTELOT: Lonny.
25 MR. POWELL: Thank you, Mr. Chairman, members of the
26 Board. Lonny Powell, Executive Vice-President of Racing
27 Operations at Magna Entertainment. To my left is
28 Jim Nicol, Vice-Chairman of Magna Entertainment and also

0014

01 Vice-Chairman of Magna International. We are going to
02 make a brief presentation for you today. Obviously, we
03 are before you today to seek your approval and petition to
04 proceed with the acquisition in the interest in the
05 Bay Meadows Operating Company.
06 Appearing before you today formally as part of
07 the presentation will be Jim Nicol, our Vice-Chairman;
08 also Peter Tunney, Vice-President and General Manager of
09 Golden Gate Fields; Tom Austin, our Executive Director of
10 Facilities and Development for both Santa Anita and Magna
11 Entertainment. From the Paine Webber side, you will be
12 hearing from John Tashjian, one of their top executives,
13 as well as Jack Liebau, President of Bay Meadows.
14 Also in attendance and support, should they be
15 needed for any questions and so forth, we are very proud
16 to say our new CEO and president of Magna Entertainment,
17 Mr. Mark Feldman, is with us today attending his first
18 Board meeting. We welcome him here.
19 If you can stand up and wave.
20 MR. TOURTELOT: Welcome, Mark.
21 MR. FELDMAN: Thank you.
22 MR. POWELL: Also Frank DeMarco who we all know as our
23 Vice-President of Regulatory Affairs for MEC and our

24 General Counsel at Santa Anita. And with that, I will
25 turn it over to Mr. Nicol, and we will make our
26 presentation and be available for questions.
27 MR. NICOL: Good morning, Mr. Chairman, and Members of
28 the Board. Like Lonny said, my name is James Nicol,

0015

01 N-i-c-o-l. I am the Vice-Chairman of Magna Entertainment
02 Corporation as well as Magna International. I will
03 address two issues this morning: One is describing the
04 transaction with Paine Webber concerning Bay Meadows
05 Operating Company, and secondly I'll address the issues of
06 why this is in the best interest of California racing.

07 First, the transaction, which I believe you have
08 a copy of the letter of intent, we are purchasing
09 Paine Webber's interest in Bay Meadows Operating Company
10 which holds the license together with the FF&E at the
11 track. As part of the transaction, we will lease the
12 facility until December 31, 2002 and conduct racing on
13 that site, if approved by this Board.

14 As to the issue of why this is in the best
15 interest of California racing, I think fundamentally the
16 issue here is Magna Entertainment Corp's decision to base
17 itself in California. Although there are a number of good
18 states for racing, like Kentucky and New York, Magna
19 Entertainment Corp made the active decision to establish
20 our head office in Los Angeles to acquire Santa Anita
21 Golden Gate Fields and now hopefully Bay Meadows.

22 We also have an interest in San Luis Rey Downs as
23 a training facility. I think the key to understanding our
24 future growth is to have tens of millions of investments
25 to buy each of these properties; and subsequent to buying
26 those properties, we've also continued to investment, to
27 hire personnel and to basically improve racing. As you
28 know, our Chairman, Frank Stronach, has a significant

0016

01 interest in horses himself, not through the company but
02 through the Adena Springs.

03 I think to best give the Board an indication of
04 what we've done and what we will do, I will ask
05 individuals to come forward and talk about these specific
06 facilities. I know in your minds, given the
07 correspondence, et cetera, and the undertaking you gave
08 the last time I appeared before you, that there's a
09 concern about our progress with Golden Gate Fields. Let
10 me assure you that we fully intend to meet our undertaking
11 and exceed it. One of the reasons we have concern is
12 because frankly because we have until December 31 of this
13 year to make all the improvements. They are complex and
14 intricate, involving two communities, because the track at
15 Golden Gate Fields is on Albany and Berkeley, and we have
16 a team of individuals that are addressing the concerns.

17 So because it is the most significant point for
18 you, I believe I will now ask Peter Tunney and Tom Austin
19 to come forward and talk about what is happening.

20 MR. TUNNEY: Good morning, Mr. Chairman, Members of
21 the Board. I am Peter Tunney representing Golden Gate
22 Fields. We are here this morning to give you a progress

23 report on the activities that are taking place and what
24 will continue to take place at Golden Gate Fields through
25 the end of this period, through December 31.
26 Initially, the biggest concerns that we had --
27 and this was shared by the horsemen, and I believe it was
28 noted in John Van De Kamp's letter a year ago -- was the
0017 condition of the racing surface, dirt and turf course; and
01 we've done, right from the beginning, even before court
02 approval, started to make those improvements. And while I
03 have not seen John Van De Kamp's most recent communication
04 with the Board, those are now in order, and we've gotten
05 rave reviews about both courses, turf and dirt course; and
06 we feel that we've made a remarkable recovery in one
07 year's time to getting the racing strips back in order.
08
09 MR. TOURTELOT: May I interrupt you one second, Peter?
10 MR. TUNNEY: Sure.
11 MR. TOURTELOT: Correct me if I'm wrong. I thought
12 Mr. Van De Kamp's letter addressed itself more to the back
13 stretch, and that the jockeys were complaining about the
14 track.
15 MR. TUNNEY: We hadn't really had jockey complaints on
16 the track, the dirt or turf course, that I'm aware of.
17 MR. TOURTELOT: But the track was taken care of?
18 MR. TUNNEY: The track was taken care of.
19 MR. TOURTELOT: Okay. I'm sorry to interrupt.
20 MR. TUNNEY: That's all right.
21 I just wanted to say that we continue to work,
22 as Mr. Nicol indicated -- and let me introduce
23 Tom Austin, who is the project manager for Magna, who has
24 been doing the lion's share of this.
25 MR. AUSTIN: I believe you have in front of you a
26 report --
27 MR. FENLEY: Can you give your title.
28 MR. AUSTIN: I'm sorry. Tom Austin, Executive
0018 Director of Magna Entertainment Corporation.
01 In front of you I believe you have a book which
02 is entitled Part 4, dated August 23; and in the front you
03 will see a summary which in general summarizes the work
04 that we have been doing there. I know it may appear as
05 though it's been rather quiet there, but we've been doing
06 a lot of planning and engineering and designing to prepare
07 to correct some deficiencies.
08
09 Early on we took care of all of the
10 safety-related items, which really related to some of the
11 potholes and roof repairs and gas lines; those have been
12 completed.
13 And in your book there is a tab marked "Work
14 Table Status." To the left side of the document are the
15 list of the various items that we have scheduled to work
16 on, and at the top of the page is merely a listing of
17 sequencing from design and engineering on through
18 completion and execution.
19 The early months we have spent doing the
20 engineering and understanding where all the problems were.
21 The "X's" indicated on this document reflect work

22 completed.

23 We have recently started implementing our plan
24 after doing the analysis and engineering. We now have,
25 for instance, 35 carpenters on-site working in the barns.
26 We cleaned out the union hall to bring those workers on
27 board. We're adding eight additional electricians. We
28 now have a plan to work from, and now we're going to

0019
01 implement it.

02 The storm sewer system, which I know has been
03 controversial at times -- we wanted to explain. In the
04 earlier months, to understand what we really were dealing
05 with, we needed to understand elevations and drainage
06 locations and the condition of the pipe. So we did
07 videotape the inside of these lines, identified where our
08 failures were, and did the engineering; and now we are
09 beginning to implement that.

10 I should point out that the improvements there
11 are really sequential; that to do things like demolish the
12 barns for a long extension is necessary to be able to
13 reduce the horse population, which recently we have done,
14 to move them around to the different barns, to do those
15 improvements.

16 We need the barns where the turf extension is to
17 be completed up until the last minute, so that we are able
18 to move the horse population around. Those barns will
19 then be demolished, and the extension will be in
20 place. All of that ties back to the storm system, by the
21 way, because we need to understand, get the right grading,
22 so everything does drain when we are done; and then we can
23 apply the asphalt.

24 I'll be happy to entertain any questions. I want
25 to be brief but address anything that you may have.

26 MR. TOURTELOT: I have a few. When did you start the
27 actual construction on the barn area? When did the
28 hammers or crowbars start?

0020
01 MR. AUSTIN: Actually, we were in the barns early on,
02 first part of January or February, doing some of the
03 initial repairs and the repairs to the roof leaks. In
04 your book, by the way, there's the "Barn Plan" tab that
05 has outlined in blue the barns that we're currently
06 working in progress, and behind that is another diagram
07 which shows all of the barns where roof leaks have been
08 repaired.

09 MR. TOURTELOT: We have received a number of letters
10 recently and the indication from the letters is really
11 that construction on the barns just got under way in the
12 month of August.

13 MR. AUSTIN: That's when we began to gear up our
14 carpenter crews to go beyond safety related. Our initial
15 movement into the barns were safety related. Now we are
16 going back with the overall plan, after analyzing the
17 structure program.

18 We didn't want to rush in and just start wailing
19 away at different areas without a structured plan. The
20 other part of that is we needed to reduce the horse

21 population, to go in there and be effective at what we
22 need to do.

23 MR. TUNNEY: Remember, Mr. Chairman, Golden Gate has
24 about 1,325 to 1,350 stalls. Those have been occupied
25 since last January throughout our spring meet, and they
26 were occupied with a few departures at the beginning of
27 the fair season at the end of June and really haven't been
28 empty.

0021

01 Now we have 900-plus horses there. We have these
02 horses year round. We have about 900 horses now with the
03 conclusion of the Bay Meadows Fair. Some of them have
04 moved after the emerging breeds have moved out of there.

05 So we are down to 900, 900-plus horses, and
06 that's the first time since the approval that we've been
07 below the 1,300 and 1,200 numbers. So it's difficult to
08 make those improvements while horses are in the barns.

09 MR. TOURTELOT: I assume at the time that all of you
10 concerned individuals appeared before us, on
11 November 10, 1999, in Inglewood, when the application to
12 acquire Golden Gate was before us, that you all knew about
13 the logistics and the number of horses. I didn't. I
14 don't know anything about the logistics and how the horse
15 population impacts construction.

16 But I just wanted to read a few comments from the
17 transcript from that hearing. This is Mr. Pal who is
18 making a presentation. No, I'm sorry, it was Mr. Nicol.

19 "It is key to us for our reputation that we have
20 tracks that are known for their quality. So to the extent
21 that there has been any failure maintaining an appropriate
22 quality level at that track, we will want to quickly
23 address so that it is consistent with the quality you see
24 elsewhere in our facilities."

25 Going on, I indicated, "What I'm talking about is
26 an assurance to this Board that those things will be done,
27 that we will not be sitting a year from now and saying
28 that." It goes on. "I'm not talking about cosmetic

0022

01 painting the barns either." And Mr. Pal:

02 "There are issues that require in some cases
03 major repairs of the barns, and in some other cases
04 actually rebuilding the barns."

05 And over here: "The barn area is the priority of
06 the capital expenditures initially going into this
07 operation versus any other parts of the facility, and we
08 are committed to improving Golden Gate. I have to look
09 through all of the eyes, including the TOC and the
10 commissioner and everybody else that's involved, but I
11 will not let you down on improving the facility."

12 It goes on, but the point was that we were
13 concerned that the improvements to correct the
14 deficiencies that the TOC raised in their letters, a
15 letter of such concern that they asked us not to approve
16 the application for the racing dates; and then Magna came
17 in. I said, "I don't want to sit here a year from now" --
18 we're nine months, not a year; but we're eight or nine
19 months -- and saying, "What's happened?" And here we are.

20 I mean, Dick was just saying that the
21 commencement of the construction and remodeling has
22 commenced, but -- I guess it was the gentleman to your
23 left -- but we're hearing other things from people who are
24 up there.

25 And it wasn't really incumbent, as someone
26 suggested, that the California Horse Racing Board should
27 be up there every day seeing how many hammers are on site;
28 that's not our job. Our job was to approve the

0023

01 application subject to representations from the purchaser,
02 Magna; and then if those representations were unfulfilled,
03 the construction didn't take place, the remodels, repair,
04 et cetera, we assumed somebody would bring it to our
05 attention, which they have.

06 So I have a problem. There's a conflict in what
07 you are telling me about how you are moving on this
08 program, and we're almost nine months from the date that
09 you said this was going to be your number one priority and
10 be quickly taken care of.

11 MR. AUSTIN: Well, I believe our commitment was to
12 have those improvements made by the end of the year.

13 MR. TOURTELOT: Well, we didn't want them all done on
14 New Year's Eve.

15 MR. AUSTIN: There is a time line in the back of the
16 book which describes, as we see it today, with better
17 understanding and having done some planning as to what
18 those time lines are.

19 MR. TOURTELOT: You see, the problem I have is that
20 now you are saying that "The horse population has
21 prevented us from quickly fixing these problems, problems
22 so serious that the TOC did not want to give us racing
23 dates." That is a pretty serious problem, not just
24 painting the barns; and we were concerned that there would
25 be a commitment to move quickly on these items.

26 And here we are at the end of August, which is
27 eight, nine months later, and we are getting letters,
28 which you've probably all read the letters, I'm sure, that

0024

01 are saying things different from what you're telling us.

02 MR. AUSTIN: All I have to say is even if we had a
03 reduced population, there is still a number of months
04 involved for the planning and engineering to get ready to
05 implement.

06 MR. TOURTELOT: Nobody told us that, though. Nobody
07 said, "We have 1,300 horses, and we're going to have those
08 horses from January to August or whatever, and then we'll
09 have 900 and we'll be able to move them around." Nobody
10 even mentioned that.

11 MR. TUNNEY: Our undertaking at the time for Golden
12 Gate Fields was to spend \$5 million on improvements by
13 December 31 of 2000. When we talked about the immediate
14 solving of the issues raised by the TOC with respect to
15 safety, we said those issues would have to be addressed
16 immediately, referencing your quoting of the transcript.
17 Those issues were in fact addressed right away, so there
18 were no safety issues.

19 The types of complaints at that time were with
20 respect to the safety of the track surface. We did move
21 quickly to address the safety issues.

22 As to the ultimate issue of spending \$5 million,
23 which also it is something unusual for us to make a
24 commitment of a dollar amount, we said that we would have
25 to have planning to implement the changes, and that's why
26 we picked the date of December 31.

27 I think everything that Mr. Austin is delivering
28 here today is showing that we proceeded with due diligence
0025

01 for the proper improvement of the facility. It is not
02 like a quick repair to the garage next to your house and
03 you call in a carpenter. You have to plan, you have to
04 deal with the community.

05 Even the input from the hospital, I think there
06 has been some reference to the fact that not enough
07 veterinarians were contacted. In fact, Mr. Austin has
08 been in constant contact. We are dealing with a large
09 number of people.

10 There are different views, but we have
11 proceeded. I think we've lived up to all of our
12 commitments. We are in the course of completing our
13 commitments, and we will fulfill them by the end of this
14 year.

15 MR. TOURTELOT: But what you said and what was said at
16 the meeting -- Mr. Pal said, "The barn area is the
17 priority of the capital expenditures initially going into
18 this operation versus any other parts of the facility."
19 Maybe I am reading that wrong.

20 MR. AUSTIN: Mr. Chairman, if I may. That is still
21 absolutely correct. We are not building all kinds of
22 structures on the front side. All of our capital dollars
23 for this project are being devoted to the back side, the
24 racing surfaces and so forth.

25 And again, to illustrate what Mr. Tunney referred
26 to, to illustrate our seriousness of this issue, before we
27 technically owned Golden Gate Fields, after receiving your
28 approval at that November meeting, we mobilized a track
0026

01 crew from Southern California and sent them out there
02 without us even technically owning the facility yet to
03 address major, major issues.

04 We went in there and there were problems with
05 utilities. We went in and addressed those up front per my
06 words; up front because they were safety issues that we
07 knew we couldn't let lie.

08 The bigger construction-related issues, the
09 three-quarter furlong, the vet hospital, all of those
10 items will be done prior to the deadline placed on us.
11 But we did go in looking at the safety items.

12 And even before we owned the facility, we
13 invested money and undertook the work there.

14 MR. NICOL: If I may interject, Mr. Chairman. At the
15 time you were addressing this issue you had a legitimate
16 concern that we were going to spend the \$5 million on a
17 restaurant or something else, not with respect to the

18 surface or the backstretch, and that is why Mr. Tunney in
19 his presentation referred to the fact that the barns would
20 be a priority; and that's in fact where these expenditures
21 are being spent.

22 MR. TOURTELOT: That wasn't my concern. I was
23 concerned that the issues set out in Mr. Van De Kamp's
24 letter of the TOC would be addressed, and then I think I
25 came up with a \$12 million figure. Then I asked
26 Peter Tunney, "What is the dollar figure that will, in
27 your opinion, be needed to resolve these concerns?" And
28 then he came up with a \$5 million. I wasn't concerned

0027
01 about a restaurant. I just wanted to make sure, the
02 Board, that those concerns would be dealt with.

03 Look, if what you're saying is that at the end of
04 the year everybody's problem -- reasonable problems are
05 going to be resolved and your commitments are going to be
06 fulfilled, that's fine.

07 I have some concerns, in reading this letter, all
08 of a sudden, just after the Bay Meadows application,
09 somebody said, "What is going on at Golden Gate?" And
10 somebody said, "We better start doing some work." I will
11 tell you what my impression is --

12 MR. NICOL: Probably what is happening here is there
13 has not been adequate communication with the community at
14 Golden Gate Fields that these issues were addressed. We
15 have been working with them. There are a large number of
16 interests there. We can do a better job, and perhaps we
17 should explain to them what is going to be happening in
18 the next few months.

19 MR. TOURTELOT: Is there any truth to the rumor that
20 the reason there was no construction undertaken is that
21 Magna had plans to demolish all of the barn area and do
22 an entertainment complex, and to rebuild the barns, it
23 hasn't been -- has really not been figured out, and of
24 course that has to go through the City Council, therefore
25 it doesn't want to spend the \$5 million on something that
26 might be torn down in a year?

27 MR. NICOL: Well, we are proceeding with the
28 commitments made at the last hearing. We are going

0028
01 forward for this year. Longer term, it's part of our
02 corporate strategy to look at our sites and determine,
03 could we attract more people to horse racing by making the
04 facilities entertainment destinations? We will not do
05 anything to endanger horse racing. We want to make it a
06 more attractive venue.

07 MR. FENLEY: What will you do with the horses if you
08 did that?

09 MR. NICOL: We haven't done anything.

10 MR. FENLEY: What would you do if you -- if you gave
11 that valuable land for entertainment purposes, what would
12 you do with the horses?

13 MR. NICOL: We would keep the barns there.

14 MR. FENLEY: So during the renovation period, how many
15 will be built?

16 MR. NICOL: During renovation?

17 MR. FENLEY: At the end of the renovation -- at the
18 end of your capital commitment, how many stalls will you
19 build? And the second part of the question is, if you
20 move over at the end of Bay Meadows meet and there is not
21 a new track and that meet then becomes a part of the
22 Golden Gate, what is the stall demand with only one track
23 versus what your inventory is?

24 MR. TUNNEY: The first part is we have 1,325 to -1,500
25 stalls.

26 MR. FENLEY: And that's adequate?

27 MR. TUNNEY: That's adequate. We have approximately
28 900 at Bay Meadows, and there are other sites in northern
0029 California that ship horses in. When we finish with the
01 chute, that will be the only thing that -- I will say it
02 is somewhere between 50 to 75 stalls that will be
03 demolished.

04 The second part of your question has to do with
05 when Bay Meadows operates. They will continue to operate
06 at least for the next two years.

07 MR. FENLEY: I am saying after 2002.

08 MR. TUNNEY: That is probably best answered by Bay
09 Meadows.

10 MR. FENLEY: Fine. I would like to know what impact
11 this is going to have on the stalls at that point if there
12 is only one racetrack for any of those meets.

13 MR. AUSTIN: Commissioner Fenley, I can answer that
14 question. Obviously if Bay Meadows goes away, the number
15 of horses that were stabled there are necessary to have a
16 racing program in Northern California, so we would have to
17 have an off-site stabling operation, whether it be one we
18 own or whether it be one of the existing Fairs or so forth
19 up in Northern California to stable those horses, because
20 once Bay Meadows goes away, we will need to replace those
21 stalls and there is no room at Golden Gate.

22 MR. FENLEY: So how are those horses going to race?
23 You are going to shuttle them in for their races?

24 MR. AUSTIN: Yes. Much like the horses at San Luis
25 Rey, they ship horses. Other horse centers ship. That
26 will be the way that would work.

27 MR. FENLEY: Do you think down the road you can look
0030 at shuttling horses as the way to conduct a meet at Golden
01 Gate and have all the horses off-track and bring them in
02 two, three days before the race and shuttle them back? Has
03 that been discussed?

04 MR. AUSTIN: I couldn't speculate on that one.

05 MR. FENLEY: You have never discussed that?

06 MR. AUSTIN: I have not been involved in those types
07 of discussions.

08 MR. TUNNEY: Currently -- well, about two years ago,
09 when Bay Meadows reconstructed their barn area in the
10 infield, we didn't have available those stalls for about
11 four months, and we used Pleasanton. And while Pleasanton
12 is in the transition in improving their facility, we had
13 about 6-, 700 horses at Pleasanton at the time, and we
14 would ship them on a daily basis.

15

16 Right now the lion's share of the horses are at
17 Golden Gate on a year-round basis as opposed to the 900.
18 About 60 percent of the horses that run at Bay Meadows are
19 shipped from Golden Gate Fields on a daily basis to the
20 Bay Meadows meet.

21 MR. AUSTIN: I might add that the issue that you
22 mentioned is one that is certainly an important one. It
23 would exist regardless of Magna's interest in acquiring
24 Bay Meadows' operating interest, because if Bay Meadows is
25 going to be developed and going away, those stalls would
26 be gone regardless.

27 MR. FENLEY: Shuttling from Bay Meadows is a lot
28 different than shuttling from a place that hasn't been

0031 identified yet; it could be a greater distance.

02 MR. NICOL: We realize that stalls will be an issue
03 and we are presently looking at different sites to see if
04 we can get something close.

05 MR. FENLEY: But you do take the view that the land is
06 much more valuable for entertainment facilities than it is
07 for stabling horses?

08 MR. NICOL: Well, it is valuable to us because it is
09 in our corporate strategy to be a place where horse racing
10 is conducted.

11 MR. FENLEY: Right, but around the track you would
12 rather have entertainment complexes than horse stalls?

13 MR. NICOL: No. We want horses stalled there. We have
14 thought of developing the front area near the track on the
15 other side from where the stalls are; that may be
16 attractive, because it overlooks the bay, to establish
17 something.

18 MR. FENLEY: So in your mind, it has always been that
19 there would be adequate stabling for the horses?

20 MR. NICOL: Yes. We do need an additional site when
21 Bay Meadows closes down.

22 MR. TOURTELOT: I am going to Mr. Van De Kamp's letter
23 of August 23rd with respect to a review of the progress
24 from the TOC's standpoint at Golden Gate. And in
25 reference to the plan that was at -- the TOC plans, the
26 barn survey from January 3rd to February 11, that was
27 completed. "The barn carpentry repair that would take
28 place between February 14, 2000 and November 13, 2000,

0032 began hurriedly at 10:00 a.m. on Thursday, August 17."
02 And I'm asking you gentlemen, did that have any
03 coincidence, "began hurriedly on Thursday, August 17,"
04 after I informed representatives of Magna that I would not
05 vote to change the commitment; in other words, to let
06 Magna off the hook, after December 31, \$5 million barn
07 area, et cetera, et cetera, repair commitment?

08 MR. TUNNEY: Well, as I indicated, those time lines
09 that are in the letter that you referred to were taken out
10 of the first initial April 4th presentation that was given
11 to the Board in a similar book, and those were estimates
12 of our time lines at that time, without all of the
13 engineering and surveying that we needed to do.

14 There is a current time line which sets forth

15 where we see today, being a little smarter and wiser and
16 knowing more information about everything on the site.
17 The start of the carpentry work has nothing to do with
18 anything else other than we've gotten to the point where
19 we have enough information to be able to start that and
20 sufficient labor supply to work in the barns. So I'm not
21 sure what the word "hurriedly" really means in this case
22 other than we did start on or about that date and have
23 been building.

24 MR. TOURTELOT: Let's forget about the word
25 "hurriedly." The barn survey was going to take from
26 January 3rd to February 11th, which is about five weeks;
27 that was completed. And then in your plans you indicated
28 carpentry repair would take approximately nine months from
0033 February 14, which was starting right after the barn
01 survey in keeping with the representation at the meeting
02 that the barn areas were of primary concern and that would
03 be quickly addressed.

04 So you had planned, according to your initial
05 plans, to start the carpentry repair on February 14, two
06 days, three days after the survey was completed, and it
07 would take nine months. You apparently started on August
08 17. And if it's still going to take nine months, you
09 wouldn't finish the work by December 31.

10 Well, in any event, what happened between
11 February 11 and August 17? Are you telling me that the
12 survey was completed and the plan was submitted as to what
13 you were going to do, we're off by that much?

14 MR. TUNNEY: No. You should understand that all of
15 the line items on the time line originally presented also
16 include Engineering or design time. So that time line, if
17 you look at carpentry of February 14, that included the
18 long-term survey.

19 There are two surveys involved. Initially, as we
20 indicated earlier, there is the safety-related work. The
21 initial survey was done for safety-related work, to try to
22 accomplish that immediately. The second survey is the one
23 that you see in February through November, and that survey
24 had to be much more detailed and involved because it
25 involves structure and a lot of other elements that are
26 not just safety related.

27 The same is true, for instance, in the storm
0034 sewer and the other items. The one time line bar that you
01 saw included all of the review, the engineering, and then
02 the implementation.

03 MR. TOURTELOT: So basically that part of the report
04 that was handed out in April was not of much benefit in
05 terms of giving us an idea of when it would be completed?

06 MR. TUNNEY: Well, it was an early assessment based on
07 the information that we had at the time.

08 MR. TOURTELOT: And the roof repair -- no roofing had
09 been done according to Mr. Van De Kamp's letter.

10 MR. TUNNEY: That's incorrect.

11 MR. TOURTELOT: The roofing is all completed?

12 MR. TUNNEY: That's correct.

14 MR. TOURTELOT: It says no roofing has been done. It
15 says, "The two barns were beyond repair and were scheduled
16 to be replaced. No work has been done and the barns
17 remain fully occupied." What's your response to that?
18 MR. TUNNEY: There again it is a matter of being able
19 to move some of the horse population around to get to the
20 right barns?
21 MR. TOURTELOT: You've had problems moving horses out
22 of two barns?
23 MR. TUNNEY: It is a matter of which barns do you
24 start to sequence the work through.
25 MR. TOURTELOT: It said that they were beyond repair
26 and were scheduled to be repaired?
27 MR. TUNNEY: That's correct.
28 MR. TOURTELOT: -- in the survey.

0035

01 MR. FENLEY: Did you ever meet with the TOC with what
02 you are doing and guidelines and comments from them and
03 cooperation of the horse racing?
04 MR. TUNNEY: I believe there's been some discussion,
05 but we have not had specific meetings to discuss what our
06 time lines are.
07 MR. AUSTIN: Commissioners, if I might interject, Peter.
08 What happened with the TOC and CTT, we had two formal sit-down
09 meetings up north. The second meeting involved the
10 presentation of the initial time line, also to get input,
11 reaction. We had representatives from the CHRB staff involved
12 as well. I believe that particular meeting was back in March,
13 well in advance of us meeting here before you today, to again
14 get feedback, response, where we thought things were going,
15 and generally kick ideas around.
16 I think what the best I can tell is first of all,
17 I don't want to offend my friend John Van De Camp, but his
18 letter is being treated as absolute gospel. He's real good,
19 but nobody is that good. There's a couple of different
20 perspectives on every side.
21 We could, I think -- obviously in the past 30
22 days or 60 days, there's been a lot of speculation, from
23 what I am hearing from you, that we weren't moving
24 forward, et cetera, et cetera. This is an obvious example
25 of if it got to that level of concern, we should have all
26 been talking amongst ourselves rather than being before
27 you today going line by line over that letter dated
28 August 23rd. I had it hand delivered to me yesterday.

0036

01 MR. TOURTELOT: The letter, number one, is not being
02 taken as gospel. You are telling us that there are no
03 problems, we're moving on schedule and all of that, and
04 this is contrary to that. If we were in a court of law,
05 we would hear evidence from both sides, weigh it, and come
06 to a conclusion. I am not taking anything as gospel.
07 Unless I am there and see the beam falling down, I am not
08 going to take it as gospel. But it has been presented to
09 us, and nobody has said it was gospel. We are saying that
10 this is what Mr. Van De Camp said, and what do you have to
11 say? I don't want you to think that I am taking anything
12 as gospel.

13 MR. AUSTIN: I appreciate that.
14 MR. TOURTELOT: But the fact of the matter is that
15 there are people writing these letters saying things that
16 are different from what you are telling us.
17 When did your application dates come up for
18 Golden Gate?
19 MR. TUNNEY: Probably on the September calendar.
20 MR. TOURTELOT: I mean --
21 MR. TUNNEY: If you prefer, we can defer it to October
22 and you can see the progress.
23 MR. TOURTELOT: I would like staff or Commissioners to
24 go up there and look at it.
25 MS. GRANZELLA: Mr. Chairman, I just want to say that
26 I met with Peter and Tom Thursday at Golden Gate and they
27 explained, and we went through the book on what was being
28 done and what had been done and what was planned; and then
0037
01 I was given a tour.
02 I don't know Brad's exact title, foreman or
03 something?
04 MR. TUNNEY: The barn area foreman.
05 MS. GRANZELLA: He's not in administration or
06 management; he's the foreman. He took me around. And I
07 had been there, I think, last December and seen the
08 condition of the back stretch back then, and personally I
09 saw a big improvement. There was a lot of work going on.
10 The potholes were gone. There were some areas that the
11 asphalt hadn't been replaced, but everything has to be
12 done in order, sequentially, and there were a lot of
13 repairs going on. I can see a lot of improvement.
14 And what they are talking about, the safety
15 issues first, Brad, the foreman, was telling me that they
16 had I don't know how many gas leaks, they had to take care
17 of that first. And me being in the landfill business and
18 working with nothing but engineers, I understand how long
19 it takes to do design and planning and implementation.
20 So I just wanted to tell you that I thought you
21 guys were moving along. I don't know if you are moving
22 along as fast as everybody wanted you to move along, but I
23 could definitely see an improvement.
24 MR. AUSTIN: Thank you, Commissioner.
25 MR. TOURTELOT: Any other Commissioners have questions
26 on Golden Gate? And then we can go back to Bay Meadows.
27 MS. MORETTI: I would just make a comment,
28 Mr. Chairman, that there are two other opportunities that
0038
01 might be reviewing Golden Gate's process. One is
02 certainly the date that they will be up for license
03 renewal again.
04 I understand it will be in September. We can
05 wait till October, which will give us another 60 days.
06 MS. MORETTI: I think we will have other occasions to
07 discuss Golden Gate and would like to proceed with the
08 item that is on the agenda, which is the approval of
09 acquisition of Bay Meadows.
10 MR. NICOL: Mr. Chairman, If I can, in any event,
11 continue. I would like to make a presentation. It is

12 briefer than the Golden Gate presentation. First with
13 San Luis Rey Downs. I would ask these gentleman -- they
14 represent the San Luis Rey Downs trainers. They are going
15 to talk about the investment in San Luis Rey. They were
16 under no pressure to make any investment at all. They are
17 going to talk about the property and how we have improved
18 it.

19 So I would ask that Laura come forward, please.

20 MS. ROJIER: Good morning, ladies and gentlemen. My
21 name is Laura Rojier (phonetic), and I'm representing the
22 San Luis Rey Downs racing organization. The
23 presentations, back there, I hope you can see them. And
24 bear with me, I am not a very good speaker.

25 Can everybody hear me?

26 Okay. In case you don't know, San Luis Rey Downs
27 is located in north San Diego County. This is the aerial
28 view. You can see the racetrack right there in the

0039
01 middle, and the training center -- I'm sorry, the training
02 track is in the middle. The barn area is off to the
03 right.

04 These are all the barns, and we have a brand-new
05 large arena and round pen right there where the arrow is.
06 And down below that is -- all this land is unused land
07 which may someday be made into barns and other useful
08 things, trails and things like that.

09 Also up above you can see the buildings up there.
10 Those are all the apartments where a lot of the horsemen
11 and their families live. When Stronach came in, the first
12 thing we did was meet with the San Luis Rey Downs Horseman
13 organization, meet with his team. And the first thing the
14 horsemen did was make a list of the things that we thought
15 were important to get done right away. We presented that
16 list to Stronach, and we are going to show
17 you now what happened a year later, the top of our list
18 for emergency repair items, and necessary repair items and
19 then additions to the facility, and then our hopes and
20 dreams.

21 One of the first things was our maintenance men
22 trucks. Sometimes they ran, sometimes didn't. Sometimes
23 somebody had to get off their horse and go push his truck;
24 and we got a new one.

25 These are new door frames. They took a little
26 while to get started on these because they built them for
27 long term and made really nice frames that are going to
28 last for a long time. As you can see on these old ones,

0040
01 they were really dangerous. They had rough edges and they
02 were dangerous for the horses and the horsemen.

03 The CHRB's main requirement was a new safety
04 rail. The left-side picture, you can see where they were
05 starting to build. It's up here on the right-hand corner,
06 you can see the old rail was old moldy wood, and then in
07 the end you see where they are painting our new rail. It
08 is -- also, the safety rail was put on the inside and the
09 outside. You can see it there. So we have all
10 brand-new -- all brand-new rail.

11 We also had a new arena and round pens put in.
12 This arena is probably two or three times bigger than the
13 one we had. Down on the right-hand corner you can see the
14 old one. It was really hard to get to, because it was out
15 back. And it was like a pipe corral, which was dangerous
16 and rusty. The new one is a safer railing and kept in
17 nice shape.

18 We also have three new crushed ice machines that
19 are really easy to access for the horsemen. I'm the human
20 services project director, and my purpose is to aid
21 licensees with whatever needs they and their families
22 might experience. Some of them are very interesting, but
23 it is a neat job. And that's me with my favorite horse
24 trainer at my side.

25 Our new track kitchen is light and airy. We have
26 live plants and pictures up. We have a lot of extra
27 chairs. We have checkers and chess games and different
28 things for the horsemen. We keep a bulletin board there

0041
01 to keep the horsemen abreast of things that are going on
02 at the track.

03 These are the old living quarters; pretty rough.
04 These are the new living quarters. Each horsemen has the
05 opportunity to get his own paint and clean up their
06 rooms. This young man took the initiative to even put
07 carpeting and blinds up, and we're really proud that he
08 did that and made it nice for himself. Most licensed
09 people at the track have families and live off the track.

10 In 1981, you can see in the mountain on the back
11 there is only one condo up there. Since then, all these
12 apartments have been built. Actually they were built,
13 most of them, by a gentleman, Mr. Korbeian; and he owns
14 horses at the site, and he had the foresight to know there
15 would be a lot of horsemen coming in that needed housing
16 that was close, and with the schools in the area it has
17 been a good handle.

18 We have veterinarians at the track from 6:00 to
19 8:00 a.m. daily, before any of the other vets get there,
20 in case of emergencies.

21 The fences around the hot walkers, most of them
22 have been replaced, and they're safer now. We have some
23 new turnout sand pens for the horses to go out and roll
24 in. Our trainers are being encouraged and doing a good
25 job at keeping up the landscaping and making new
26 landscaping for their barns.

27 We have new tractors and track maintenance
28 equipment, so we don't have to worry about it breaking

0042
01 down on the track. Santa Anita track people regularly
02 visit to check our track surface.

03 We have new equipment in the racing office,
04 copying machine for the horsemen and computers. Our
05 trainer's lounge has been upgraded. We have a nice sofa
06 and we have phone and coffee and things that we need.

07 We have a new trail to the infield training track
08 which goes under the main track. And this rail that they
09 put up, this rail is a lot nicer and higher. We have new

10 benches and seating, and the horsemen really appreciate
11 that. The groomsmen, they can sit down and relax in
12 shade.

13 General beautification: San Luis Rey is
14 beautiful. There it is. That's the gap, horses coming
15 On to the gap. Did we have anything before Magna? Of
16 course we did. We had our San Luis Rey Downs Horsemen
17 organization meeting; we had state-of-the-art large X-ray
18 unit with film processor; we had a saddling pad, and we
19 still have all those things. We have a swimming pool. We
20 have a horse ambulance. And we have visitor tours. This
21 is a 4H group. We also have a lot of senior citizen
22 groups come in, and people that are interested in owning
23 horses, too. The owners love to come out and visit. This
24 gentleman in the middle actually donated us a carpet for
25 our human resource office. So we have educational
26 seminars, as Bob Shoe, doing a seminar on horseshoeing.
27 We have our own web site with our daily work hours
28

0043

01 available on our site. We have our own trailers directory
02 and many other amenities. Magna encourages the San Luis
03 Rey Downs Horsemen Organization to continue our support of
04 this great industry. Hasta la vista. Thank you.

05 MR. NICOL: Thank you, Laura, for your presentation.

06 Now, I would like to ask Lonny Powell to speak.

07 MR. POWELL: Thank you. Real quick overview,
08 Mr. Chairman, members of the Board, on what's gone on at
09 Santa Anita, mostly this year. In 1999, from a capital
10 investment standpoint, some \$44 million was put into
11 Santa Anita on the front side of the property, primarily
12 in the areas of the patron apron, the viewing screens, the
13 restaurant, of course, and the enhanced entryway in the
14 facility.

15 This year, the year 2000, the focus is on the
16 barn area issues that have affected all the tracks in
17 California. We will expend somewhere in excess of
18 \$6 million this year in the barn area alone on things like
19 the waste water retention, upgrading the track, sleeping
20 quarters.

21 In the year 2000 -- or excuse me, since the issue
22 was raised in Mr. Van De Kamp's letter about the master
23 plan, some time by the end of this quarter, beginning of
24 the next quarter, we will have submitted our master plan
25 in to the City of Arcadia on the future development of
26 Santa Anita, which includes entertainment activity as well
27 as new barn, dormitories, et cetera. That's where we're
28 at with that.

0044

01 MR. NICOL: Thank you, Lonny.

02 We recently secured an area in Los Angeles for
03 our head office. The corporate people in Santa Anita were
04 running out of space, so we made a further commitment in
05 California.

06 Last I would like to call upon representatives
07 from vendors, John Tashjian from Paine Webber and Jack
08 Liebau, who runs Bay Meadows.

09 MR. TOURTELOT: Thank you.

10 MR. TASHJIAN: Mr. Chairman, members of the Board,
11 good morning. My name is John Tashjian. I'm Senior
12 Vice-President of Paine Webber. I'm also a representative
13 of TW Acquisitions, which is an entity of Bay Meadows --

14 MR. TOURTELOT: Can you hear him, audience? No.

15 Speak up. Start all over.

16 MR. TOURTELOT: Okay. My name is John Tashjian. I'm
17 a Senior Vice-President at Paine Webber. I'm a
18 representative of TW Acquisitions 4, which is the entity
19 that owns the four acres that is underlying the Bay
20 Meadows racetrack; and I also represent MOC Acquisitions
21 14, which is the entity that owns 100-percent interest in
22 Bay Meadows Operating Company.

23 We got involved with Bay Meadows in 1996. It's
24 always been Paine Webber's intention to own and eventually
25 develop the four acres of land underlying the Bay Meadows
26 race track.

27 In the meantime, we have done our best to support
28 racing at Bay Meadows. Prior to BMOC, we invested

0045
01 \$24 million to continue racing for the horsemen in the
02 barn area.

03 In 1997, we reluctantly took ownership of the
04 BMOC. Patron American was selling it in order to protect
05 the franchise.

06 And in the near term, due to an inability to
07 attract certain key managers after losing their chief
08 financial officer, we have put Paine Webber employees in
09 management positions to keep the business running. That
10 is an act which is burdening our real estate operation.

11 Recently, in the beginning of this year, there
12 was an initiative in the city of San Mateo to study the
13 transit within the city and how it impacts future
14 development. The Bay Meadows property of four acres of
15 land is part of that transit study and is part of the land
16 that the City intends to study and come up with an
17 eventual plan for.

18 In order for us to participate in those
19 development plans, it was necessary for us to build the
20 racing business. And we tried to do that in the most
21 responsible way, and we think we found that in Magna
22 Entertainment. We know they have a long-term commitment
23 to the industry and its growth. They have the management
24 expertise that certainly we've come to respect, and they
25 have the capital necessary to make investments in racing
26 to move forward.

27 While I've certainly enjoyed my time and my
28 involvement with Jack and his team and certainly have come
0046
01 to love the sport of racing, I can say Paine Webber, as a
02 securities firm, is a reluctant owner.

03 Paine Webber itself is going through its own
04 restructuring, and we expect that the transaction with UBS
05 Securities will close in November of this year. And while
06 Paine Webber is a U.S. based financial services company,
07 we have no understanding of what UBS, a large

08 multinational banking organization, will bring.

09 I'll hand it over to Jack Liebau.

10 MR. LIEBAU: My name is Jack Liebau. I am president
11 of Bay Meadows Operating Company and have been such since
12 November of 1992 and have through at least two changes of
13 ownership. And I am happy to report, thankful that the
14 owners that we've had, first for Patron American
15 Hospitality, and then Paine Webber, none of them, neither
16 of them ever interfered with the day-to-day operation of
17 the track, and whenever there needed to be an investment
18 made, they made it.

19 And with that being said, neither one of them was
20 really interested in being in the racing business and were
21 in the racing business through happenstance. And some of
22 you might recall Patron American Hospitality got in the
23 racing business because Bay Meadows had a tax structure at
24 that time that was thought to be very advantageous, and in
25 order to secure the structure and tax advantages of that
26 structure, they had to stay in the racing business. And
27 because of the hard times that Patron fell upon, we
28 then -- their successor was Paine Webber.

0047

01 With that said, one thing that I've always
02 preached is that a racetrack is better off being owned by
03 those that are interested in the racing business. I think
04 that one issue that needs to be highlighted here is that
05 the property on which Bay Meadows is situated is going to
06 be developed. The economics frankly just compel that to
07 happen sooner or later. Everyone knew that was going to
08 happen, and it now looks like December 31, 2002 is the
09 target date, as far as Paine Webber is concerned. Whether
10 they're able to secure the entitlements within that period
11 of time is frankly open to conjecture because of the City
12 of San Mateo. But come some point in time there is not
13 going to be a racing oval in San Mateo.

14 And I think the question that we're faced with
15 here today is what entity, ownership entity is going to be
16 able or willing -- and I underline the word "willing" --
17 to proceed with the continuation of live racing as we've
18 known it in northern California. And personally at this
19 point in time, I think the answer is obvious in that it is
20 Magna. Magna has demonstrated a willingness to invest
21 money in the business, and money will have to continue to
22 be invested after the oval, as I call it, at Bay Meadows
23 is no longer there.

24 As far as what happens if there is not an
25 alternative site at that point in time, as Peter said, at
26 this point 60 percent of the horses are shipped in to Bay
27 Meadows now. We are interested in initiating discussions
28 with some of the fairs, specifically Alameda County Fair,

0048

01 as far as a possible off-track site. Mr. Pickering has
02 been on his vacation but is here today, and I'm sure in
03 the next week or so we will be able to commence those
04 discussions in case another track or another facility is
05 not available.

06 Also, a couple of weeks ago, I attended a meeting

07 with the fairs that were concerned about overlaps and
08 things of that nature, and I would like to go on the
09 record as just repeating what I told the fairs at that
10 point in time. Racing dates under the law are allocated
11 each year by the California Horse Racing Board, and it
12 would be presumptuous for any racetrack to enter into any
13 agreement with anyone else as to what dates should be,
14 because that's just not their prerogative.

15 Over the years even December 26 doesn't belong to
16 Santa Anita. That belongs to the -- sorry, but that
17 belongs to the State of California. And every year it is
18 determined as to whether Santa Anita opens on that
19 particular day. That is in the judgment of the Horse
20 Racing Board. I think I've seen one letter that today
21 talks about selling dates, and no dates are being sold.
22 There is money being paid for Bay Meadows Operating
23 Company, and at least myself and my management team think
24 that some of the value rests with us, but that's probably
25 up to argument, too.

26 Thank you very much.

27 MR. TOURTELOT: Jack, you did not say that the
28 December 31, 2002 anticipated date for Paine Webber to
0049 obtain the approval on the City of San Mateo is overly
01 optimistic?

02 MR. LIEBAU: Well, I really haven't been a party to
03 those negotiations or proceedings, and we all know that it
04 does take a considerable period of time to get
05 entitlements. And I am sure that at that point in time,
06 if the necessary entitlements haven't been secured, that
07 Magna or whoever would seek an extension on that
08 facility. It is only logical.

09 Now, whether Paine Webber -- who knows at this
10 point who is going to be Paine Webber in 2002 after their
11 acquisition by UBS. There is a lot of conjecture.
12 Logically, if the site is not right for entitlements,
13 rather than having it remain idle, you know, Magna or
14 whoever would go in and try to extend that lease, and
15 whoever owns the property would rather have it being used
16 than sitting idle. That's just conjecture.

17 MR. FENLEY: Jack, if you don't get an option today,
18 you will not get one in two years. It would be very
19 difficult, don't you think? Now is the time to get an
20 option to take over the race dates.

21 MR. TASHJIAN: We spent quite a bit of time thinking
22 about the timetable required for entitlements, and I don't
23 think it is overly optimistic despite what they have said
24 in the press recently. So to think that we wouldn't be
25 within the timetable is -- that is a business decision we
26 would make at some point in time in the future. There is
27 no reason to leave something idle, but that is a business
0050 decision that we would reserve for the future.

01 MR. FENLEY: If this deal doesn't go through today or
02 at a later date with Magna, is that the end of racing as
03 far as Paine Webber is concerned or are you going to
04 continue?
05

06 MR. TASHJIAN: I think our primary objective is to
07 develop the land at Bay Meadows.
08 MR. FENLEY: I am talking about the next two years.
09 MR. TASHJIAN: I think we will address that after
10 these discussions are concluded. I cannot give a definite
11 answer.
12 MR. FENLEY: I want to know the answer to this
13 question. Why are you buying the rights to race in two
14 years? Is there a profit motive in it, or is there some
15 other reason? What is the real reason for buying the
16 racing for two years?
17 MR. NICOL: It is a good property, and frankly we're
18 interested in continuing investing in horse racing. It is
19 two years.
20 MR. FENLEY: The racing goes away in two years.
21 MR. NICOL: Right, but hopefully we'll be before this
22 Board to talk about what we can do in Northern
23 California. Commissioner Fenley, the problem is with your
24 idea of having an option or an extension. I would like to
25 have one, but frankly they were unwilling to give us one
26 as far as the negotiations. As far as the negotiations, I
27 got it extended from the summer of 2002 to December 31, so
28 we can have another meet.

0051

01 MR. FENLEY: I just think you will have a lot more
02 horses on your hands than you'll know what to do with.
03 MR. NICOL: We are addressing that right now. We are
04 looking at different sites, as was mentioned earlier,
05 whether it is the fairs or other pieces of property that
06 are close. Clearly that property will be redeveloped.
07 MR. FENLEY: We would like to review those options
08 today.
09 MR. NICOL: But we can't give you any options today,
10 because I don't know what the price of the option is in
11 two years.
12 MR. TOURTELOT: I want to come back to that because it
13 is very important.
14 I wanted to address something else now so this is
15 on the record for future boards. This application,
16 assuming it is approved at some time, there is no
17 assurance whatsoever being given by the California Horse
18 Racing Board that Magna International or anyone else is
19 guaranteed to get any dates or any other location
20 whatsoever. There are no guarantees.
21 And what you are buying is Bay Meadows Operating
22 Corporation that has certain racing dates approved; that's
23 what you are buying. You are not buying a right to any
24 future racing dates at all. You come before this Board
25 like anybody else, and that is going to be very clear.
26 MR. NICOL: Yes, Mr. Chairman, that is clear to us and
27 we accept that.
28 MR. TOURTELOT: Going back to Commissioner Fenley's

0052

01 questions about the option, I am concerned about what
02 happens -- I don't believe that -- just from people I've
03 talked to and the people up there and some past experience
04 concerning it's all going to be signed, sealed, delivered

05 regarding entitlement by 12/31/2002 -- I hope it is.
06 Despite your commitment and your statement before this
07 Board today that Paine Webber is committed to racing at
08 Bay Meadows, despite that, I hope you do get everything by
09 2002, but I don't think you will, because it is just a lot
10 of things going on up there; and until they get that whole
11 transaction worked out -- assuming you don't, in my mind
12 there's better than a 50-percent chance that you're going
13 to end the year 2003- 2004 without your construction
14 go-ahead. I am very concerned that you have a definitive
15 agreement, which by the way was given to me this morning.
16 It wasn't Magna's fault. It was delivered last night
17 apparently to my hotel.

18 MR. NICOL: Just to set the facts straight,
19 Mr. Chairman, I arrived from Toronto on the 23rd, which is
20 the first time the definitive issue was addressed. We've
21 applied for two applications based on a letter of intent.
22 We confirmed with the commission staff that no additional
23 documentation was required. As soon as I got off the
24 plane, Jack Liebau contacted me to say we needed a copy of
25 the definitive agreement. I went to our offices. I
26 finished talking to John, who was in New York. He signed
27 the agreement. Immediately when it was finished, our
28 counsel worked late into the evening, and they sent it

0053
01 over on Wednesday evening.

02 The letter to you is dated August 23rd that we'll
03 get to you immediately. It's been sitting at the hotel
04 for more than a day. And I actually this morning checked
05 with the law office, Meyers, to confirm with their courier
06 service as to when it went out.

07 MR. TOURTELOT: That may very well be. I got it this
08 morning.

09 MR. NICOL: I think the issue we're debating is the
10 credibility of Magna Entertainment Corporation and our
11 commitments.

12 MR. TOURTELOT: No.

13 MR. NICOL: Well, frankly, when we are asked something
14 by this commission, we move immediately.

15 MR. TOURTELOT: I'm sorry that you feel that your
16 credibility is in question. No one is questioning your
17 credibility at all.

18 Mr. DeMarco asked me this morning if I had seen
19 the definitive agreement. I said, "No. It was supposed
20 to be delivered here."

21 MR. LIEBAU: I would like to say one thing, if I
22 could, perhaps as a bystander, but as a horse owner and
23 someone who does run horse racing in Northern California.
24 I take it that December 31, 2002, at least we know we are
25 going to be running at Bay Meadows until that point in
26 time. It is possible, whether it is 50 percent or it's
27 60/40 or whatever, maybe there's a chance we'll be there
28 afterwards, but there is a significant chance that you

0054
01 will not be at Bay Meadows after December 31, 2002, and
02 that's why we need to be owned by someone, Bay Meadows
03 needs to be owned by someone who is going to make an

04 investment in racing in northern California.

05 I can't speak for Paine Webber, but I am pretty
06 sure that Paine Webber is not interested in buying other
07 property and making an investment in racing. Believe me,
08 there aren't many people around today that are willing to
09 do that. And I think that our best chance of continuing
10 to have the facility, whether it be the Sacramento area,
11 whether it be the East Bay area or wherever, is under an
12 ownership that is interested in being in the racing
13 business; and I think that that is the issue that is being
14 presented here today. And I think that John Tashjian
15 might be willing to say that he does not think that Paine
16 Webber is going to be looking at \$100 million investment
17 or so in Northern California to be in the racing
18 business. You don't -- Wall Street doesn't give high
19 multiples to the horse racing business.

20 MR. TOURTELOT: The fact that we approved two letters
21 of intent deals in the past is irrelevant. Maybe we
22 should have gotten back and undo that, if we could. I
23 think that the prudent approach would be for this Board --
24 it sees the final agreement before it gives approval.
25 That's my belief today. Forget the past. That's number
26 one. I will not get into an argument about who delivered
27 what when. All I know is it was hand delivered to me this
28 morning. And the fact is that the lease is not signed.

0055

01 One commissioner has raised the issue of what
02 happens at the end of 2002 if you don't have -- if Paine
03 Webber doesn't have the ground-breaking permission, what
04 happens to racing? This only goes to 2002. We come with
05 our hat in our hand to Paine Webber, and Mr. Fenley has
06 said that he questioned that why you couldn't get the
07 option now; because they wouldn't give it to us. They
08 might very well give it to you if the Board provided some
09 provision that if Paine Webber didn't have the okay to go
10 ahead with their ground breaking by the end of 2002, that
11 you would have an option to extend this so we would have a
12 continuity of racing.

13 MR. TASHJIAN: I can say that Paine Webber -- it would
14 be a separate business decision that would be made in
15 2002.

16 MR. TOURTELOT: Why?

17 MR. TASHJIAN: We want to reserve our options at that
18 period of time. It is a separate business decision that
19 is outside of this firm.

20 MR. TOURTELOT: Sir, you are the one that came before
21 us, and when I asked you the specific question about your
22 commitment to horse racing, you said Paine Webber is
23 committed to horse racing.

24 MR. FENLEY: I asked you if you were going to flip
25 this, and you laughed. And you said, "No. We are in this
26 for the long haul." I remember that very well.

27 MR. TASHJIAN: I do remember your question. You said
28 we were not going to turn around to Magna --

0056

01 MR. FENLEY: No, I didn't say to Magna. I said to
02 turn around -- Magna wasn't in the picture, and here you

03 are, flipping it.

04 MR. TOURTELOT: Now you tell us that you can't make a
05 business decision for them so that the California Horse
06 Racing Board would know there is some continuity and there
07 wouldn't be a gap and they wouldn't be held --

08 MR. NICOL: Everything is approved on a yearly basis.
09 And all we are asking is to run this until 2002. If they
10 have not gotten their entitlements we will discuss with
11 them running it. It only makes economic sense. And what
12 Jack said earlier about the compelling economics of that
13 land is that it be redeveloped, the decision of Paine
14 Webber as businessmen -- I can't conjecture what they will
15 do, but clearly they have revenue coming out from running
16 horse races; but we will be interested in doing it then.

17 There are a number of things that we have not
18 decided to do. Some of the equipment we have not decided
19 to purchase because we have the rights at the end of the
20 lease to make the decision whether to buy them. The
21 definitive agreement is signed and the closing lease would
22 be signed because the lease is the only operative
23 agreement at closing.

24 MR. LIEBAU: Jack Liebau.

25 I don't mean to be argumentative, but what I
26 don't understand, when we're talking about continuity,
27 what assurances are there of continuity right now? I have
28 a better chance of having continuity with my -- it's not

0057 mine, but I sometimes talk in those terms -- with Bay
01 Meadows being owned by somebody that wants it to be in
02 racing and has demonstrated a willingness to invest money
03 in racing. That gives Bay Meadows a better chance of
04 continuity.

05 MS. MORETTI: May I ask a question?

06 Jack, kind of stepping back a second, when we
07 were talking about the displacement of horses, I feel
08 confident, being in Northern California, that there are
09 plenty of places, whether it's Pleasanton, Cal Expo -- I
10 mean, there are a lot of places within the appropriate
11 driving distance to locate. I don't have a problem with
12 that.

13 My question is, do you have any projections on
14 how many people or jobs might be displaced?

15 MR. LIEBAU: Well, I think it is a wash as far as jobs
16 is concerned; I mean, if there is a new facility someplace
17 for people that used to be at Bay Meadows.

18 MR. FENLEY: What if there isn't a new facility, Jack?
19 What if there is a training track versus a new facility?
20 You don't know today. You cannot guarantee this Board
21 that there is going to be a new racetrack there.

22 MR. LIEBAU: Absolutely correct.

23 MR. FENLEY: You are hypothesizing on everything being
24 on a new racetrack. Let's get off of that one, Jack.
25 Let's talk about no track or a training track.

26 MR. LIEBAU: If there is no track, then there would a
27 consolidation of racing dates at Golden Gate Fields.

0058

01 MR. FENLEY: Correct.

02 MR. LIEBAU: Assuming that there is no new training
03 center, there would have to be an expansion of the stable
04 area at Alameda County Fair. I cannot speak for the
05 Alameda County Fair, but I would think that economics
06 would dictate that they are somehow going to be -- have to
07 be subsidized for carrying on that training activity, and
08 that subsidy is either going to have to come from the
09 stabling and vanning fund or directly from whoever owns
10 that track.

11 Now, as far as what has been in the paper and is
12 a fact, there is a site in Dixon that is somewhat
13 controversial among the trainers and other people, owners,
14 but that Magna Entertainment has entered into purchase
15 agreements for land that would ultimately be used as a
16 training center or as -- a new training center or as a
17 racetrack or whatever.

18 Now, also as has been reported, there's some
19 question as to whether Dixon wants it to be there. And it
20 also is that if Dixon turns out that it doesn't want it be
21 there, I am sure that Magna will pursue other sites in
22 Northern California.

23 MR. TOURTELOT: Let me read a paragraph from a letter
24 I received from Alameda County Fair, which I think is on
25 what we're talking about. This is not what gave me
26 concern about what we've been talking about. I just want
27 to read it to you.

28 "Given the tortuous nature of land use planning
0059 in California as a workable," quote, "intermediate plan,"
01 unquote, "has presented to the CHRB to address any time
02 gap between the closure of Bay Meadows and opening of a
03 new Northern California supertrack or renovation of Golden
04 Gate Fields. Time gaps between what now exists and what
05 may exist in the future generates uncertainty in the
06 racing industry and may lead to a significant shift in
07 horses from Northern California either out of state or to
08 Southern California."

09 This is what Commissioner Fenley's concern is and
10 my concern. You're all shaking your heads like we
11 shouldn't have that concern, but we do.

12 MR. LIEBAU: I think you should have that concern. And
13 the question is, who is going to be better able to address
14 those issues? That's really what you're faced with today.
15 Is it going to be Bay Meadows owned by Paine Webber, or
16 Bay Meadows owned by Magna? I think that is the issue.

17 I think certainly everyone wants racing to
18 continue in Northern California. There's no question
19 about that.

20 MR. FENLEY: Those two options are exactly what are
21 out there, and that's it.

22 MR. NICOL: Exactly. If you look at this industry, it
23 is a very fragile industry, and there are few companies
24 that are willing to put up the money and the capital
25 required to sustain racetracks. We are prepared to go
26 forward.

27 Regardless if it is us or anyone else, the
0060

01 reality is, Paine Webber wants to redevelop this land. At
02 some point there will be a gap, or maybe not a gap, but
03 we're capable of sustaining the site. As Jack mentioned,
04 we're looking at other locations as well. It is very
05 difficult to get a track. As you know, a lot of
06 communities don't like racetracks. So we are starting
07 right now to look at an alternative. If we are not doing
08 it, no one will be at December 31, 2002. If Paine Webber
09 has their entitlements, that track won't be there.

10 MR. FENLEY: I feel like I'm at a checkmate here.
11 That's the problem with this.

12 MR. LIEBAU: Commissioner Fenley, I don't think we're
13 up to checkmating you.

14 MR. FENLEY: I would like some other options here. It
15 is just that the racing -- the total control of racing is
16 with you at this point, if we approve this; no
17 competition. And everything falls out from there for all
18 the other factors related to horse racing, the trainers,
19 the owners, everybody, labor.

20 MR. NICOL: We are a good corporate citizen. There
21 are very few companies -- everybody knows who the
22 companies are that might be able to make investments in
23 horse racing. Keep in mind that somebody who is willing
24 to deal with Bay Meadows has to take the speculation which
25 is very expensive, and are going to do and make the union
26 to accept the new track in Northern California. We've
27 publicly said we are going to try to do that, but we have
28 to start now.

0061

01 Many of you are in the construction business.
02 You know how long it takes to construct let alone the
03 approval process. Unless somebody is working on it now,
04 there will be a problem in the future. I think that
05 everything that we've done proves what kind of corporate
06 citizen we are.

07 MR. FENLEY: I would like to hear from the trainers
08 and TOC.

09 MR. TOURTELOT: Mr. Nicol, I have no objection to
10 Magna doing the deal. My concerns are that -- I know what
11 the feeling is, and my concerns are about the potential
12 gap. Let me continue here. I have -- you're preaching to
13 the choir when you tell me that Magna is good for
14 California. I absolutely totally agree, and I am happy you
15 are here.

16 That's not my concern. My concern is not in that
17 direction at all. It's about the gap and about other
18 problems, the problems that were addressed when I read the
19 letter from Alameda County Fair, and I don't understand
20 why Paine Webber will not agree to -- that Paine Webber
21 will not agree to give you an option in the event they are
22 unable to develop the property by 2002.

23 MR. NICOL: I can speculate for them if I were in
24 their feet.

25 MR. TASHJIAN: I can speak to it. As I said before,
26 it's a separate business decision. It's just -- I can't
27 predict what will occur in 2002. There is plenty of
28 speculation as to the amount of time it takes. We have

0062

01 our own view based on our experts' opinions. And just as
02 I said here a year and a half ago, I cannot predict -- the
03 City of San Mateo will move forward on this study. I
04 cannot predict what will happen in 2002.

05 MR. TOURTELOT: I feel that I am totally missing
06 something. If I am an apartment house owner and it has
07 leases with the tenants, and I build a supercondominium
08 structure, I tear down the existing apartment houses and
09 build a condominium structure, everybody has a lease.
10 They get an option to extend if in fact the permit process
11 takes longer for him to break ground on the condominium.
12 I just don't understand what's going on here. I'm missing
13 it.

14 MR. LIEBAU: I would like to address --

15 MR. FENLEY: Let me say this. If we made this
16 application approved on the basis that Paine Webber gave
17 you an option, would that not separate this as a separate
18 business decision in making it conditional on us approving
19 this application?

20 MR. PILLON: Mr. Fred Pillon, counsel for Paine
21 Webber. Speaking to that specific issue, you know, I
22 understand the question thoroughly, and I think that you
23 know obviously as a business matter in 2002, if the
24 entitlements are in place, I am sure that everyone will
25 look at this rationally and do the rational thing. The
26 interplay between the present business, as profitable as
27 it is, the entitlement process, the very complicated
28 nature of what is being undertaken, and the City of San

0063

01 Mateo and other agencies is such that it really creates a
02 kind of overall structure of moving forward that really
03 mitigates against at this point making any decisions with
04 respect to Bay Meadows beyond that time frame. And it's
05 the interplay in reality between all of those things that
06 creates a very difficult situation from Paine Webber's
07 perspective for being able to make any commitments beyond
08 that.

09 And in addition to that, as John mentioned
10 earlier, you have the overwhelming interplay, which
11 they're subject to at this point, of not really knowing
12 what the corporate direction with respect to Bay Meadows
13 generally or racing in particular is going to be at the
14 end of this year after United Bank of Switzerland acquires
15 Paine Webber. So they are in a fairly precarious
16 situation, since they know what their plans are today, and
17 they know what they would want to do. They don't know
18 what their new owners are going to be willing to do, what
19 their bigger commitment or lesser commitment to Bay
20 Meadows and racing might be; and they are doing the best
21 they can in order to cut a deal with basically someone who
22 we all feel is really committed to horse racing.

23 I have been before this commission for the last
24 ten years on various matters representing various owners,
25 and to me this is a bittersweet meeting in the sense that
26 if Paine Webber sells Bay Meadows, I will be out of the
27 horse racing business, too. But I think it's clear that

28 Magna is, from our perspective -- and really going back
0064
01 to the commitment that Paine Webber made to horse racing,
02 the entity that really has the wherewithal and the desire
03 to continue racing in Northern California.
04 And you know, that's kind of a long answer to
05 your question, but you know it's very difficult at this
06 point from a business perspective to move beyond the deal
07 that is on the table simply because we -- from Paine
08 Webber's perspective, they don't know what position they
09 will be in at the end of the year.
10 MR. TOURTELOT: I'm still as confused as before, but
11 that's not your fault. Let me read one more time the
12 sentence I read before. "Time gaps between what now
13 exists and what may exist in the future generates
14 uncertainty in the racing industry and may lead to a
15 significant shift in horses from Northern California to
16 either out of state or to Southern California." This
17 application is to be approved or not approved based upon
18 what we find the best interest of racing. We're talking
19 about this potential gap. We're getting nowhere. I don't
20 understand, with all due respect to your answer, I don't
21 understand the reason for it.
22 MR. LIEBAU: If I can address the gap. I think there
23 is a simple to answer to it. Magna is in the best
24 position to assure that there is no gap. Magna owns
25 Golden Gate Fields. If worst comes to worst, Magna would
26 be able to enter in a agreement either with Cal Expo, San
27 Joaquin County Fair, the Alameda County Fair, or the
28 Sonoma County Fair as far as auxiliary stabling is
0065
01 concerned so there would be no gap. That is not the best
02 solution, but because Magna controls Golden Gate Fields,
03 they are in a position to guarantee there would not be a
04 gap.
05 MR. TOURTELOT: But they don't control the dates.
06 MR. LIEBAU: They do not control dates.
07 MR. TOURTELOT: The Horse Racing Board controls the
08 dates.
09 MR. LIEBAU: Absolutely correct.
10 MR. TOURTELOT: Everything you said, Jack, is premised
11 upon Magna being able to do what it wants with the dates.
12 MR. LIEBAU: It's not. It's similar to a situation
13 where you have Bay Meadows Operating Company that would
14 come and apply for dates and have a lease on a facility,
15 similar to the situation that you now have at Hollywood
16 Park where you have two different operating companies.
17 It's my recollection.
18 MR. NICOL: If I may go back for one moment, in terms
19 of the delivery of the definitive agreement, this is a
20 simple transaction. The definitive agreement doesn't have
21 anything more than the letter of intent. What I said at
22 the outset, we are paying cash for the BMOC and entering of
23 the lease; that's the transaction. The only thing we did
24 in the definitive agreement is forward payments under
25 rent, but that's the only change. There is nothing else
26 than what I've told you.

27 MR. FENLEY: I have to ask a question.
28 MR. NICOL: I also have counsel here who drafted
0066 the --
01 the --
02 MR. FENLEY: Why are you making this investment for
03 two years when this is going to laps, and you have a
04 handful of problems, as opposed to not making this
05 investment? Let it laps and make your own investment
06 separately.
07 MR. NICOL: Right now we are very committed to
08 investment in California.
09 MR. FENLEY: Explain this investment in Bay Meadows.
10 Why are you investing in California if it is only going to
11 last two years?
12 MR. LIEBAU: I know the economics.
13 MR. FENLEY: I want him to answer the question, Jack.
14 He's the buyer.
15 MR. NICOL: The economics justify it based on the
16 earnings of Bay Meadows over the next two years. I am
17 hopeful, at the end of that two-year period -- I realize
18 all power with respect to horse racing rests with this
19 commission. I realize that we have to get approval each
20 year. There is no guarantee on dates. There is no
21 guarantee that we will get approval if we buy a new
22 facility and move Bay Meadows to that new facility. I
23 appreciate that fully.
24 But I am hoping, based on our performance of Bay
25 Meadows over the next two years, that for this committee
26 to make a decision then about who should have a right to
27 continue Northern California dates in the future at a new
28 facility, you will be convinced, because of the
0067 commitments we made during our tenure with Bay Meadows,
01 that you will want to extend the dates. So Commissioner
02 Fenley, there's a good business reason for us; first for
03 the hearings and secondly about our position.
04 MR. FENLEY: Why is Paine Webber walking away from
05 those great earnings for the next two years? Even though
06 the operating agreement will expire, why are they walking
07 away from those earnings?
08 MR. NICOL: Because we are paying for those earnings
09 up front.
10 MR. FENLEY: With all due respect, when we talked two
11 years ago and I said here, "Are you going to flip this?"
12 And you said, "No, we're in here for the long haul" --
13 Here you are flipping it for a profit motive. I just
14 don't like that.
15 MR. TASHJIAN: I don't think we are flipping it for a
16 profit motive as much as we are trying to come up with a
17 responsible exit at this point in time, so we can pursue
18 the development opportunity that exists today that we were
19 not aware of when I met with the Board last time. This
20 allows us to exit the business, put it in the hands of an
21 organization that's committed to racing.
22 MR. FENLEY: I understand.
23 MR. TOURTELOT: I think that Paine Webber intends to
24 do that. I'm frankly very happy that Magna is involved.
25

26 And there's no question it's going to be better for the
27 state of California, for Bay Meadows, than to be run by a
28 company that is not involved in horse racing. There's no

0068
01 question.

02 Going back to tying up some of these loose
03 ends -- I'm not going to read the sentence again, I read
04 it twice, but that's the concern that I have. And it
05 seems to me that there is still some reason why it doesn't
06 impact Magna at all. Magna cannot exercise the option on
07 their new park in two years and leave Paine Webber sitting
08 with land and a racetrack -- an empty racetrack for two
09 years to 2004. Mr. Nicol shouldn't be sitting here
10 objecting to what I am saying unless there is some deal I
11 don't understand.

12 MR. NICOL: I am not objecting at all, Mr. Chairman.

13 MR. TOURTELOT: You just said that they wouldn't do
14 it. I understand. But I am still -- I guess I just got
15 out of the stupid side of the bed today, but I don't
16 understand why that couldn't be part of the deal. I mean
17 you all came to us and said, "we're committed to horse
18 racing, and we're in it for the long haul," and now you
19 are here two years later saying we have to get out of this
20 deal. And the Board is saying there's an impediment
21 because what happens at the end of the two years? I don't
22 want a gap. I'm not going to read the sentence again and
23 say that's a business decision and two years from now we
24 don't know what we're going to do.

25 MR. FENLEY: And I can go back to the question that I
26 raised before. If we said we are not going to do the
27 application until we are given a year option, then that
28 becomes very foremost in whether you will want to go on

0069
01 with the deal or not, doesn't it?

02 MR. TASHJIAN: I suppose I can commit to that.

03 MR. PILLON: I think there is just a little bit of
04 difference of opinion how long the entitlement process is
05 going to take. And I think that once again it's a hard
06 thing to explain, because the impact of --

07 MR. FENLEY: Can we selfishly say that as far as
08 racing is concerned, we don't know if we're going to need
09 the option -- or Magna is going to need the option either,
10 but we need it to protect ourselves, just like you want to
11 protect yourself right now and have it all at the end of
12 2002. Let us have the other side, too. If you say there
13 is a difference of opinion in the entitlement process
14 length, hey, what you're saying is that you believe it is
15 going to be completed by 2002. And Mr. Tourtelot is
16 saying it will take longer; then that is all the more
17 reason why you should not be objecting to an option,
18 because you know at the end of 2002 that the thing is
19 going to be under construction and the option wouldn't
20 come into play.

21 MR. TASHJIAN: The difference of opinion would be with
22 the City of San Mateo. Certainly if we're not at that
23 point at the end of 2002, that would be a sound business
24 decision to continue whatever operations we had within San

25 Mateo.

26 MR. TOURTELOT: We are charged with doing what's in
27 the best interest of the state of California and racing in
28 California, and it is not in the best interest of
0070 California to approve something right now that gives you
01 the option of a situation in two years to hold them over.

02 MR. LIEBAU: Can I say something as a friend of the
03 commission that I think maybe should be said?

04 MR. TOURTELOT: What?

05 MR. LIEBAU: I would suspect that the owner of the
06 property believes that there is a better chance of the
07 regulatory authority approving the zoning if there's a
08 chance that the City of San Mateo would lose its tax pay.
09 I'm not ascribing that viewpoint to Paine Webber or
10 anything else, but I mean -- we can keep going on here,
11 but when you get to the bottom line, if I owned the
12 property, that's what I would be doing. And I would be
13 going with them right up to the end, saying, "I need to
14 get this done or it will get shut down and there's not
15 going to be anything here."

16 MR. TOURTELOT: I totally agree. It's a subjective
17 motivation; but the planning department and the taxing
18 department, they don't hold birthday parties together.

19 MR. LIEBAU: In the City of San Mateo they do because
20 they are looking for their salaries.

21 MR. TOURTELOT: I don't disagree with what you are
22 saying.

23 MR. NICOL: Mr. Chairman, I appreciate the efforts of
24 the committee to try to improve the situation for MEC in
25 terms of what will happen in December of 2002.
26 Unfortunately, as part of the negotiations, usually you
27 have to give up something to get something. And frankly,
0071 when I talk to Paine Webber about the longest time that we
01 could have -- first of all, it was in the summer of 2002,
02 and then it was extended to December 31, 2002.

03 I don't necessarily want to be on the hook if I
04 ask for some extension beyond December 31, 2002. I don't
05 know if that's in the best interest of -- because if we
06 are going to actively look for alternative land -- because
07 they are going to redevelop the land, we are going to
08 actively do that. We have to pick a site that this Board
09 is happy with. I don't want to make a commitment to run
10 if we make a lot of investments in this facility.

11 MR. TOURTELOT: I don't understand any of that because
12 you don't have any obligation to exercise the option.

13 MR. NICOL: We will insist that we stay there. That's
14 the difficulty with the committee intervening.

15 MR. TOURTELOT: You don't have to exercise the option.

16 MR. PILLON: I think what Mr. Nicol is saying is that
17 Paine Webber, in the contract negotiations, would probably
18 close the door on that option. If you wanted them beyond
19 2002, Paine Webber would say, "If we don't have our
20 entitlements, we will stay there beyond 2002, because we
21 want the revenue." It is kind of a two-way street.

22 MR. FENLEY: Would the Board feel better if Magna
23

24 came and said, at the end of 2002, if there is not a new
25 facility, we're going to come to the Board for race dates
26 for Golden Gate? Would that be a better option?
27 MR. TOURTELOT: There is opposition to having more
28 race dates at Golden Gate.

0072

01 MR. LIEBAU: Most of that opposition comes from
02 Mr. Stronach, because there has always been the plan in
03 the background -- as far back as 1995 or 1996, the
04 California Jockey Club proposed to sell the property and
05 to consolidate with Golden Gate Fields.

06 MR. TOURTELOT: I think that may happen. That may
07 happen.

08 MR. FENLEY: In other words, we need some assurance
09 that that gap will not --

10 MR. NICOL: I think this is a good point, Commissioner
11 Fenley. What I am prepared to say about what will happen
12 in December 2002 is if Paine Webber hasn't got an
13 entitlement, they can't redevelop the land and we don't
14 have an alternative site that this Board is happy with,
15 then we will come to this Board and look at the issue of
16 whether or not we should extend the running dates at Bay
17 Meadows.

18 MR. FENLEY: I can assure you, with the regulatory and
19 all that, you will not have a racetrack up and ready to go
20 in January 2003.

21 MR. NICOL: If Paine Webber has their entitlements by
22 this date, if they're right about the time, the only party
23 that can legitimately shift these races to is the site --
24 the best party to have a site for that is us at Golden
25 Gate. It follows a chain of logic, that we're the best
26 beyond December 31, 2002.

27 Because the gap will exist whether we are here
28 today or it is another company or someone else. The

0073

01 reality is Paine Webber is moving out of this site, and
02 the best party to wrestle with that gap issue -- because
03 we are working now. As you say, it is a lengthy process
04 involving a lot of politics.

05 MR. FENLEY: We want to see better alternatives. At
06 the end of 2002, you're out.

07 MR. NICOL: If that's not the case, then we are
08 willing to undertake -- if Bay Meadows is available, we
09 are willing to undertake and we are willing to negotiate
10 with Bay Meadows -- or with Paine Webber with respect to
11 running at Bay Meadows beyond December 31st.

12 I'm sure they don't want to set the price for
13 what that lease is going to be in the future. Frankly, we
14 are responsible businessmen. We're used to negotiating
15 transactions.

16 MR. FENLEY: You wouldn't like the option, though?

17 MR. NICOL: I would love the option. I know what
18 they're going to come back with on the other side. I
19 explored longer dates with --

20 MR. TOURTELOT: Let me reiterate what I said. I am
21 very much okay with Magna in this deal. I am very much in
22 favor of Magna in California.

23 I've always felt, the seven years I've been on
24 the Board, it's the Board's obligation to do what's in the
25 best interest of racing in the state of California, to
26 help the business. We're all in this together. We want
27 to see California racing prosper. What's your commitment?
28 I have a financial commitment, and it's always been my

0074
01 view that we are here, within the law, to help you.

02 And Friday night racing at Hollywood Park was
03 like Chicken Little saying the sky is falling. We thought
04 it would be a good idea to try it and do something
05 different, and it turns out for a while to be very
06 productive. So that's the attitude I think the Board has,
07 but we're trying to fill in some gaps.

08 I would like to hear from anybody in the
09 audience, unless the Commissioners have some questions.

10 MR. VAN DE KAMP: Good morning, Mr. Chairman. I'm
11 John Van De Kamp, President of TOC. First of all, I would
12 just like to tell the Board that I think this discussion
13 today is probably the best and most illuminating
14 discussion I've heard since I have appeared before the
15 Board. I think the Board understands the issues that are
16 in front of you here, and I think that the dialogue has
17 been extremely valuable on both sides.

18 I have to come to the conclusion, after
19 listening, that we recommend to an appropriate course of
20 conduct, and that would be to continue this hearing until
21 September 22nd, to see whether or not some of these
22 questions could be answered; because today, a lot of the
23 questions have resulted in representations, promises. And
24 I'm sure they've been made in good faith, and I think in
25 the next 30 days, that some of these will come to
26 fruition, and I think the Board will feel a lot more
27 comfortable if some of these things will be resolved.

28 MR. TOURTELOT: What are you talking about, John? We
0075
01 have an issue of a potential gap and how that might create
02 uncertainty in the racing industry. And then we have
03 Golden Gate, and I think we all agree on Golden Gate.
04 That's an issue of great concern to us, the progress. It
05 doesn't really impact this application unless it was
06 December 31st right now and nothing had been done. It
07 would obviously impact the credibility. They have said
08 things are moving along, and they are going to complete it
09 by December 31.

10 That's over here, and we've heard -- we want to
11 hear more about that perhaps at the September meeting. But
12 I think what we're down to is the gap and the option and
13 no option, and I think that pretty well convinced us that
14 they're -- that they're not going to give the option for
15 whatever reason.

16 MR. VAN DE KAMP: Let me speak to that, if I may,
17 because you have to look at this as part of the whole.
18 The one thing that has not been mentioned in the letter or
19 here today is that the reason they come before you is that
20 you're granting them a real monopoly in California
21 racing. Magna will have over 300 days of racing in the

22 next couple of years if this is approved.
23 And that may be justified, but I think they have
24 a very heavy burden to do that. It means that in Northern
25 California, except for the fairs, you have two entities
26 under one control. You have really the largest facility
27 in Southern California, Santa Anita, and Oak Tree,
28 basically under one control. Add that together, that is
0076 an enormous power base here in California.
01 You have to recognize the wonderful presentation
02 by Ms. Rojier about their purchase of San Luis Rey Downs.
03 And they came to us at the stabling meeting with a request
04 for subsidization of \$1.7 million.
05 I think you have to look at the questions that I
06 try to raise. None of them are absolutely definitive.
07 The Golden Gate progress -- and we tried to be as fair as
08 we could in that we spelled out what had been done and
09 what had not been done. Clearly the track is in good
10 shape; we said that. Some of the needed repairs were
11 done. Charlie Dougherty, who's here, who has been
12 on-site, can perhaps tell you a little bit more about
13 that; but this is a work in progress. And I will tell you
14 in the next 30 days you will have a pretty good idea as to
15 how far along they are going and whether it is a sustained
16 effort.
17 With respect to Santa Anita, we've been told that
18 by the end of the quarter we will have a phase 2 report, I
19 guess, submitted to the City of Arcadia; fine. I would
20 like to see what they are planning to do and I think the
21 Board would, too.
22 With respect to this transaction, they said that
23 they filed the definitive agreement with you today. We
24 haven't had a chance to see it. It may not really tell us
25 very much, as has been indicated, but it would be
26 interesting to see.
27 With respect to the issue that you've been
0077 talking about --
01 MR. TOURTELOT: It doesn't cover the issue I'm talking
02 about. I read it. It's a typical, 95-percent boilerplate
03 with most of the provisions in the file, 95 percent of
04 them. And what's really in there that is of substance is
05 the letter of intent. And the only thing I was looking
06 for was whether or not it addresses the issue of an option
07 at the end of 2002, because I am convinced it would not be
08 out by 2002.
09 MR. VAN DE KAMP: I think that is a fair inquiry.
10 And I have to believe that such an option could be
11 developed. And it's -- good lawyers do it all the time.
12 And in terms of setting the price, good lawyers do that
13 all the time. And in setting lease arrangements, the
14 option can be carefully worked out. I understand that
15 they're having trouble --
16 MR. TOURTELOT: We're in a high-priced poker game in
17 that -- Commissioner Fenley alluded to it, and that is if
18 we are not going to approve because you wouldn't give that
19 option, then Paine Webber can -- whatever is done as a
20

21 result of our decision, is that in the best interest of
22 racing for California? If the Swiss bank said, "You know,
23 "We're going to show that Horse Racing Board; we're
24 shutting down that track," would that be in the best
25 interest of racing? I don't know what they would do. Now
26 it's their turn. I don't know if playing that poker game
27 is in the best interest of racing in California, because
28 they said we could go to Golden Gate.

0078

01 MR. VAN DE KAMP: Sometimes when people are sent back
02 to the table -- you indicated the importance of having an
03 option if the property does become available. My guess is
04 that within the next 30 days, if that's what it amounts
05 to, the odds are that -- maybe it's 50/50, 60/40 -- that
06 they will come back. I'd give them that opportunity.

07 MR. TOURTELOT: The thing is, they have brought up the
08 fact that they could all come before the Board and get the
09 dates for Golden Gate. And you know, people wouldn't
10 think we were insane if you said one day I think there
11 will be one racetrack in Northern California. That's not
12 totally outside the realm of possibility.

13 So that kind of convinced me that maybe, you
14 know, the power shifts to them, because if at the end of
15 two years Paine Webber is looking at another year to two
16 years for entitlement, maybe they say, you know, they have
17 a deal for Paine Webber to stay there. It can be a
18 positive thing for Santa Anita, at the end of 2002, to
19 come in and say, "I want those dates." How do you show
20 ownership of those dates when Bay Meadows goes away to
21 apply for those dates --

22 MR. NICOL: Everything rests with this committee to
23 make a decision. We make the huge capital investments,
24 but we have no --

25 MR. FENLEY: -- saying, I want those dates in at
26 Golden Gate?

27 MR. TOURTELOT: That would be up to their reputation
28 and what they've done. And it's up to the Board to make a

0079

01 decision. That would be great.

02 MR. FENLEY: They can come in and make a
03 presentation --

04 MR. NICOL: Our competition can come in -- as the
05 Chairman has emphasized, this is a two-year period within
06 the next two years that if a third party says, "We're
07 willing to take those dates on" -- keep in mind they're
08 going to have to spend a couple of hundred million dollars
09 to get in if they are going to be anywhere else, San Mateo
10 to establishing a new facility -- "I will make that
11 investment and I will ask for those dates."

12 They will have to have the track up and running,
13 but you are going to be granting dates for that year. So
14 that's why we're working right now to find a location. We
15 have to move with speed to be able to do that, and I think
16 people are right here in the committee saying that there
17 may be additions as to Paine Webber gets off that land in
18 time or we're able to get a new facility up or not.
19 There's a variety of issues, but we as a corporation are

20 willing to handle our end of the stick.

21 MR. FENLEY: Paine Webber needs to protect their

22 option and we need to protect the State of California

23 because there is a lot of revenue here that will go away

24 if that closes and there's no gap filled in.

25 MR. NICOL: Commissioner Fenley, that's their

26 decision. If they want to close it down and not run it,

27 that's their business decision.

28 MR. FENLEY: I would rather that the option to

0080

01 continue until --

02 MR. NICOL: I will tell -- have told you if those

03 dates are open in December of 2002 with no new facility,

04 we will ask for this facility for an ability to run those

05 dates, and we will hopefully be able to negotiate with

06 Paine Webber; moreover the subsequent date is on

07 commercial terms.

08 MR. FENLEY: Sorry to cut in, but the deal is to make

09 a deal with Paine Webber. It will not be in 2002.

10 MR. NICOL: We are comfortable with our working

11 relationship with Paine Webber over the next two years.

12 MR. NICOL: We are talking about the offer to extend

13 and negotiate what the terms are going to be. That's the

14 normal commercial terms we are used to.

15 MR. TOURTELOT: At the end of the two years they can

16 have a facility or they can decide to go. I don't know if

17 they get to keep Bay Meadows outstanding, but

18 Paine Webber will have to make a deal with you to keep you

19 there. If you have another alternative --

20 MR. NICOL: Exactly, and all of it has to fall under

21 your authority to say yes or no, no matter what we do at

22 that point.

23 MR. FENLEY: I don't see that scenario happening where

24 Paine Webber would make you guys stay longer. I see them

25 out of there.

26 MR. TOURTELOT: If it's going to be vacant for two

27 years because they don't have the entitlement.

28 MR. NICOL: They want to come in and talk to us --

0081

01 MR. FENLEY: For a year.

02 MR. TOURTELOT: Maybe at 4:00 in the morning it will

03 hit me.

04 MR. VAN DE KAMP: One last thing. What we're hearing

05 today from Magna, and I'm sure it's said in good faith, is

06 "Trust us. We're going to do these things; whether it's

07 Golden Gate, whether it's, you know, other activities in

08 Northern California, it's all going to come together."

09 And I think you need, to the maximum extent possible, to

10 find some certainty in all of this. That's why we said

11 this is not a red light from TOC. It is not a green

12 light, but a yellow one.

13 MR. TOURTELOT: People run through yellow lights all

14 the time.

15 MR. VAN DE KAMP: They may, but they shouldn't.

16 MR. TOURTELOT: When Magna came to California, I was a

17 little nervous about their plans. But when he put in the

18 front runners for the thing, I became a believer that a

19 man can put his money where his mouth is. No one would
20 have invested a lot of money in the quality of the
21 construction and improvements up there if he wasn't
22 interested in staying and settling in racing; and I have
23 become more of a believer. The thing is -- trust me, I
24 think you are talking more about Golden Gate than about
25 Bay Meadows if they were given two years.
26 MR. VAN DE KAMP: If you mean the statement that has
27 been made by Will Stoner himself about what he is going to
28 do up there --

0082

01 MR. TOURTELOT: You are talking about Golden Gate.
02 And what I am going to say about Golden Gate is that if in
03 fact we're here in December and these improvements haven't
04 been made to the stables and we have this kind of letter
05 again, then it's going to be very uncomfortable for you to
06 be sitting here, at least from my standpoint. And I'm
07 sure I share with the Commissioners such feelings about
08 getting the license renewal.

09 Maybe the denial of that would cause havoc in
10 Northern California. But I know one thing, that we would
11 be very upset if these representations turn out to be
12 untrue. They know that we told them that. So that's the
13 hammer. We still have the hammer of their licensing. And
14 it's in the best interest of racing that if something be
15 resolved at Bay Meadows, Paine Webber is out as fast as
16 they can.

17 MR. VAN DE KAMP: I have not heard why this decision
18 cannot be put over until September 22.

19 MR. TOURTELOT: It may be put over. And now I'm
20 assuming it should be put it over. I am trying to
21 convince myself that it shouldn't be put over, because I
22 don't want any reason for it to be put over. It won't
23 make any difference in September. What's going to be the
24 difference? Are there business reasons why we wouldn't
25 give the option on the stable? They should have the
26 option, and they do have the option, of coming to us and
27 saying, "We're in this bind. They want \$2 million a day
28 for us to stay, and we want to move to Golden Gate." That

0083

01 is persuasive to me.

02 MR. NICOL: That is exactly right, Mr. Chairman. We
03 are here to have this approved, and the issue was with
04 respect to Golden Gate. I believe they should be
05 addressed as to Golden Gate Fields.

06 MR. TOURTELOT: If we didn't have the hammer at the
07 end of the year, I would disagree with that. I would say
08 let's talk about it some more.

09 MR. NICOL: You have that hammer.

10 MR. TOURTELOT: Now, in September we should have a
11 more definitive report on the progress?

12 MR. NICOL: Yes.

13 MR. TOURTELOT: You estimated nine months to do the
14 barn repair, and you just started August 27th.

15 MR. NICOL: Mr. Chairman, we will undertake to have a
16 detailed, up-to-date report including the cost expended by
17 the next meeting of this committee with respect to Golden

18 Gate Fields. I will assure you we will meet and exceed
19 our commitment.

20 MR. TOURTELOT: Charlie's sitting there waiting
21 patiently.

22 MR. DOUGHERTY: Charlie Dougherty, California
23 Thoroughbred Trainers. First of all, thank you for your
24 support in trying to figure out the long-term solution. I
25 think that's mainly what trainers based in Northern
26 California are most concerned with. First of all, we
27 appreciate Magna's commitment to racing. However, the
28 frustrations that the trainers in Northern California face
0084

01 at this point, we feel like we are chasing rumors. And I
02 was glad to hear that Magna -- that their communication
03 should be a little bit better because we would like it to
04 be better.

05 You know, the biggest rumor facing us up in
06 Northern California right now is, what does Magna want to
07 do with Golden Gate Fields' barn area; and we heard
08 anywhere from 300 to 1200 stalls. And I can tell you that
09 there are no trainers who want just 300 stalls at Golden
10 Gate Fields and have to ship and run day in and day out.

11 I know you asked Lonny, and I know he's not privy
12 to my meetings. I wonder if there are any meetings that
13 have gone on with regards to this. Northern California is
14 looking for stability right now. We're in the state of
15 flux with all the other issues we're facing. I can tell
16 you trainers are talking en masse about leaving, not just
17 Northern California, the state.

18 Location is a very bad situation there. And we
19 want to be partners with Magna; we want a state of
20 stability; but we also don't want to be faced with the
21 possibility of them coming to work with the plan and
22 saying, "Take it or leave it," because I think a lot of
23 people will leave it.

24 MR. TOURTELOT: Well, we certainly don't want that,
25 and we can safely assume that Magna doesn't want that.
26 There are some gaps in communication. I think you all
27 ought to get together and start working on that because
28 that would be a disaster to have trainers leaving
0085

01 California, and I don't think I would like to have that.

02 MS. MORETTI: Almost without exception all the
03 letters, the ones that I saw previous to today and the one
04 that I saw today, address that issue. So I would
05 encourage Magna and Golden Gate and the horsemen to talk.
06 At least some of these issues -- at least some of them
07 that we've heard today and some that I read in these
08 letters could have been clarified if you were all talking.
09 It's a basic case of simple communication in some ways.

10 I would like to come back next month or in the
11 months ahead and not hear that's the essence of the
12 problems because no one talked this over.

13 MR. NICOL: I agree, Commissioner Moretti. We will
14 make a better effort to communicate with the interests of
15 stakeholders and horse racing.

16 MR. TOURTELOT: Does labor have any comments? No?

17 UNIDENTIFIED SPEAKER: We don't. We're not involved
18 in their end of the business. Whatever their business is,
19 if they run theirs at Golden Gate Fields or we run them at
20 Bay Meadows, we hope that they're in the business -- still
21 in the business.

22 MR. KIRBY: Chris Kirby representing the California
23 Authority of Racing Fairs.

24 MR. TOURTELOT: Push the microphone closer to you. Is
25 that better?

26 MR. KIRBY: Chris Kirby representing the California
27 Authority of Racing Fairs. Your discussion has been probing
28 and wide-ranging and touched on a number of issues that we
0086

01 have been having concerns about. We do have deeply vested
02 interests in these issues. Northern California fairs have
03 been conducting racing in Northern California for 150
04 years, and we hope we are able to conduct racing for
05 another 150 years.

06 The uncertainty that you've been exploring here
07 is of great concern to us. We don't have any answers. We
08 would like you to know and we would like Magna to know
09 that we're willing partners, if there's a way that the
10 fair labor can play a role in resolving these situations,
11 and if there's a way that deferring a decision on this
12 would help move resolution in the next month, if there is
13 something we can discuss with Magna, we'd be willing to do
14 that.

15 MR. TOURTELOT: I don't know how the deferring of the
16 decision would help, but I think what would help is
17 everybody pulling on the same rope and in the same
18 direction and same time. You know, you're all
19 communicating. You all have a vested interest in racing
20 and are pouring in a lot of money. And we want in another
21 150-plus years to be here thriving and strong.

22 I know you had some race dates that were cut
23 down. We want to make sure you don't go through race
24 dates. So I don't know what deferring of the decision
25 would do, but it doesn't matter. You really need to all
26 work together and come to us with a plan that works for
27 everyone.

28 MR. KIRBY: And I think what is fair, we should
0087

01 applaud the commitment that Magna is making to racing.
02 And we look forward to working with them. Whatever
03 happens at Bay Meadows or at Golden Gate Fields, we want
04 to work with them to make a stable and vital racing
05 industry in Northern California.

06 MR. TOURTELOT: I have Jack Liebau's commitment, they
07 will work, don't I? Thank you.

08 Anybody else have any comments?

09 MS. MORETTI: I would just like to acknowledge, also,
10 a couple of other letters -- a letter from Mr. Candela on
11 some of the affairs -- on some of the issues that I saw
12 raised in those letters, security or lack of security
13 issues, overlap date issues -- I just want to acknowledge
14 that these are the kind of things that we will be
15 addressing at other meetings and other committee forums,

16 but I do not consider these the issues on the agenda at
17 this moment in time; and that's why we're not talking
18 about them.

19 MR. FENLEY: I have nothing against you guys in the
20 application today, but I think we touched on a lot of
21 areas today other than this. And I think there's some
22 fallout discussions going to happen that could happen in
23 the next 30 days. And I'm not going to vote for this
24 today because I think -- let's take a chance and see what
25 comes out of this. I'll be finished here in a minute.

26 And I think from the State's side, I think it
27 would be to our benefit to put this over for 30 days to
28 see if some new ideas, some new decisions come out. If
0088 they do, we'll be the beneficiary; then we can go from
01 there.

02 MR. NICOL: I would respectfully request that the
03 decision be made today rather than in 30 days. One of the
04 issues affecting this, my experience is that people are
05 willing to invest in this, but if they lose money -- I
06 have seen many loose tracks and terrible conditions and
07 the industry will continue to decline. In order for us to
08 effectively operate in this industry, we have to go public
09 so we can raise capital. We can use that capital for the
10 racing interest.

11 We've made a commitment to California. I
12 started my comments by stating why this transaction is in
13 the best interest of California and racing. The real
14 question is, why is this not in the best interest of
15 California racing? We have a reluctant owner. And
16 believe me, I have worked as hard as I can in negotiations
17 to get the deals I have on the table.

18 I'm responsible for six tracks. This is the best
19 deal I have. I will not get any more from Paine Webber.
20 We may look at our alternatives. I don't know what their
21 plans are, but they are the reluctant owner. In the next
22 little while we want to expedite these transactions to be
23 the new owner.

24 I'm not too sure of the people I will deal with
25 in the future, but you know we have chosen California.
26 It's important for us, to these proceedings, especially as
27 a company, that we have a good relationship in the state.
0089

01 The participants apparently have to work on better
02 communication with the other participants, but it's very
03 important that it looks like we have a dialogue with this
04 committee that is truthful and results in us being able to
05 move forward. A delay will cause issues that will be
06 detrimental, and that's why I need the issue to be
07 resolved today.

08 MR. TOURTELOT: Mr. Nicol, I support you 100 percent,
09 but I do not agree that they are reluctant owners. I
10 think they have to thank God every day that Magna came
11 along.

12 MR. NICOL: Reluctant owner of the horse racing.

13 MR. TOURTELOT: I think you said seller. I thought
14 you were talking about Paine Webber.

15 MR. LIEBAU: One thing about what happens on
16 December 31, 2002. I think I probably acknowledged I am
17 not the greatest poker player in Magna's hand or in Paine
18 Webber's hand. You know at that point in time, if they
19 don't have Bay Meadows, they can go to Golden Gate. There
20 is no problem about that. And Paine Webber knows that
21 that particular piece of property, until the entitlements
22 are secure, has no use whatsoever other than being a
23 racetrack.

24 So I think that, you know, if that situation
25 develops, then Magna, because they own Golden Gate, they
26 know this Board has the hammer -- and I think that -- you
27 know, what we really know is that Paine Webber is going to
28 be acquired by -- or supposedly going to be acquired by

0090

01 UBS.

02 They entered into the agreement, and UBS has made
03 it very clear that they are interested in the retail
04 operation at Paine Webber; and what happens to the real
05 estate division is anybody's guess. We've got all sorts
06 of uncertainty. The uncertainty is that, as I started out
07 by saying, is Bay Meadows better off owned by Paine
08 Webber, since they ultimately are controlled by somebody
09 from Switzerland, or are they better off owned by Magna
10 who is interested in being in the racing industry and has
11 shown that it's willing to invest in this? Magna, it's no
12 secret, even before your decision, has gone out and
13 entered into agreements to buy land as a site in the
14 Sacramento area. There's no question about the
15 willingness to invest in the business.

16 MR. TOURTELOT: Let me just say that I came here today
17 not against it at all, but convinced that I was going to
18 vote to put it over, not turn it down, put it over until
19 September. I have since changed my mind. I will vote for
20 it. And I understand, you know, your reasoning, but I
21 think that Magna has indicated that it would hurt their
22 business plan and their effort to raise financing if it
23 was put over. I accept that we're not involved in their
24 business, and we now accept Mr. Nicol's representation on
25 that.

26 And we don't know what might happen with the new
27 company from Switzerland coming in, what they might or
28 might not do vis-a-vis. They have to have this deal

0091

01 approved, and we have to -- you know, Magna is our partner
02 in racing here in California in a -- not in a legal sense
03 here, but in another sense. And I think we have to try
04 and help them in the best interest of racing. And I don't
05 see the risk, rewards, and benefits, where it's going to
06 benefit anybody to put this over, whereas to approve it
07 now --

08 MR. FENLEY: I'm not against it. I mean, I am for
09 putting it over, not to disapprove it. The dialogue today
10 touched on many things other than this application, and I
11 think it's going to bring communication or make better
12 communications between all of the factors here and -- the
13 factions.

14 MR. TOURTELOT: That's what I'm going to do with the
15 particular race dates.
16 MR. FENLEY: I think it's the dialogue.
17 Jack, you said Magna will move over to Golden
18 Gate. Who said they can't --
19 MR. LIEBAU: They own Golden Gate.
20 MR. FENLEY: -- move the race dates?
21 MR. TOURTELOT: The subject would come from the Board.
22 MR. NICOL: Everything we do has to come before you.
23 The point is we have better leverage against Paine Webber
24 in December 2002 than they have against us. They don't
25 come to you.
26 MR. FENLEY: I want Paine Webber to go back to their
27 drawing boards. And I am worried that UBS -- because UBS
28 will honor whole contracts, to go back and get that
0092
01 one-year option for --
02 MR. NICOL: Commissioner Fenley, we are businessmen.
03 We are used to negotiating our chances. Because if I have
04 to negotiate an option right now, I have to set a price.
05 I would rather set the price in December 2002.
06 MR. FENLEY: I dealt with him before, and I don't
07 think he has a good chance.
08 MR. TOURTELOT: Mr. Nicol just said they have the --
09 if you are talking about the option, let's say they have
10 given him an option for two years. They have a right not
11 to exercise the option and do what they want. As
12 businesspeople they are telling us it is not that
13 important to the deal that we have the option because we
14 have other avenues that we can go down if the situation
15 presents itself. That's what the businesspeople are
16 telling us. If it's okay with them, then I don't
17 understand why we don't --
18 MR. NICOL: Commissioner Fenley, we represent
19 ourselves, and frankly, most of our options are with UBS.
20 We are perceived as a well-known organization, I believe.
21 We're used to this kind of transaction. I appreciate your
22 efforts on our behalf. If you ask me to make a decision
23 today, would I want the option or not, because the option
24 is not a guarantee, then I will exercise the option in
25 December 2002.
26 MR. FENLEY: It would be better to say your option is
27 to make the application with Golden Gate. You didn't come
28 to us with that.
0093
01 MR. NICOL: You can't warrant dates in the year 2003.
02 We will be coming to you then. Commissioner Fenley, it is
03 our desire to have this approval. It is important for us
04 to have this. We will take care of ourselves in December
05 2002. We have to have your approval for everyone. If you
06 look at the thrust of all the comments today, 80 percent
07 of them were with respect to Golden Gate Fields. In a
08 month's time, you will be able to deal with that at Golden
09 Gate.
10 I have undertaken to show you that we'll improve
11 communications. We will have progressed by then and have
12 a detailed report about what we are doing so you have

13 greater assurance about Golden Gate Fields. As to this
14 option, I am saying I am a businessman. I make my
15 decisions about what I want and hopefully what I want I
16 will get in negotiation; but I will have to do it in
17 December 2002, because I have more leverage then. That's
18 my decision.

19 MS. MORETTI: I really believe that the points that
20 you're making are good points. We might need to continue
21 the discussion. I don't believe they are relevant within
22 the Business Professions Code section that we are supposed
23 to be working with, to adopt or not adopt.

24 MR. TOURTELOT: Let me see, Joe. I think you are
25 making these points in good faith and concern for the best
26 interest of horse racing, but I believe it is not fair to
27 them, the businesspeople who put so much money into racing
28 in this State; that convinced me. I was going to hold it

0094
01 over, but after they convinced me it would achieve no
02 purpose in holding it over at all -- they're going to have
03 this dialogue because all the parties have to come
04 together or they will have a problem in California.

05 MR. FENLEY: Does the TOC still have an argument to
06 keep this over for the next 30 days and comment? You want
07 to talk about that some more, or have you backed off of
08 that?

09 MR. VAN DE KAMP: No. The arguments, I think, have
10 been made. I think in the next 30 days a lot of this will
11 clear up. Hopefully we will come in September 22nd and
12 support it.

13 MR. TOURTELOT: John, in a lot of this you are talking
14 about generalities. All of this will clear up?

15 MR. VAN DE KAMP: I asked about five specific
16 questions in the course of the discussion.

17 MR. TOURTELOT: It doesn't have to do with Golden
18 Gate, John.

19 MR. VAN DE KAMP: They relate to Golden Gate. They
20 relate to Santa Anita. They relate to the whole
21 operation; and I think that is entirely relevant to the
22 way you look at Magna. The promises you are talking about
23 will be better served if this committee -- they are making
24 a lot of representations -- we heard about Paine Webber
25 and its representations. I'm not putting Magna in the
26 same position, but we heard two years ago what they
27 promised; and I think that the more that we can get on the
28 tail in terms of them carrying out their promises, the

0095
01 better off this Board is going to be.

02 MR. TOURTELOT: What they've done and what they
03 promised two years ago, they are on that track. I don't
04 want to go through what I said about Santa Anita; but I
05 have concerns, not questions, in respect to Golden Gate.
06 But that is not before us, and we have September and we
07 have October and November, December. They will be before
08 us, and if they haven't fulfilled their representations,
09 then they're going to have to pay the piper on that; but
10 that is not before us. I don't see anything that you've
11 said -- that the TOC has said that should convince this

12 Board to put this over for a month, nothing.
13 I'm not going to vote any different next month.
14 Why put it over from a business standpoint? It hurts
15 them. You're hurting someone who's trying to help our
16 industry.
17 MR. VAN DE KAMP: I respectfully disagree. I think
18 Mr. Nicol's position on this, they have an agreement, a
19 contract. I don't see how -- they have a definitive
20 agreement, we were told this morning, that none of us have
21 been able to see. You have seen it.
22 Is this cancellable today if you turn it down?
23 MR. TOURTELOT: No. But the fact is, on the street
24 when they are out trying to raise money and they have a --
25 MR. NICOL: Conditional agreement. We have to have
26 CHRB approval or there is no deal. The deal is not yet
27 guaranteed.
28 MR. TOURTELOT: But the definitive agreement is
0096
01 5 percent more lawyer --
02 MR. VAN DE KAMP: You may get it next month. It does
03 not stop the deal before it is guaranteed.
04 MR. TOURTELOT: I came here -- John convinced me that
05 I was going to put it over. Now I've since changed my
06 mind, which is what I am supposed to do.
07 MR. NICOL: There is nothing with respect to Bay
08 Meadows that would be different in a month's time than
09 right now. All it is, perhaps just another intervener or
10 explanation or demand for some other changes from Magna
11 that, you know, if the characterization of what we've done
12 in California is all promises, it is clearly wrong. We
13 bought Santa Anita. We spent 40- to \$50 million in Santa
14 Anita. We're prepared to spend that kind of money on a
15 racetrack to make it a showcase for the industry. You saw
16 the presentation. We've done everything.
17 MR. TOURTELOT: The fact is, Mr. Nicol --
18 MR. NICOL: Some of these ventures are not profitable.
19 MR. TOURTELOT: Mr. Nicol, there isn't anybody else,
20 and therefore we must recognize that, and you're not here,
21 you know, to flip over this property and turn it into real
22 estate. You're in racing. I see no reason for us to
23 defer this until the next meeting. It is only going to
24 hurt your company's ability on the street to raise money.
25 There is no substantive reason that has been given to me
26 by the TOC or anybody else that says, "Hey, you have to
27 walk slowly here and delay this until September," none.
28 John, you talked about the things and those
0097
01 things, and nothing that related to -- the only thing we
02 are talking about is one option. In that option Magna
03 has the better bargaining position than Paine Webber.
04 MR. NICOL: We would like the committee's support. We
05 would like your support today as a business decision.
06 MR. TOURTELOT: You have mine. I am trying to
07 convince --
08 MS. MORETTI: You have mine.
09 MR. TOURTELOT: It is not going to do anybody any
10 good to hold off for one month. I am going to vote the

11 same way today as I would next month and the month after.
12 Let's get it done today.

13 MR. NICOL: Without any opposition from the other
14 members of the committee, I would respectfully request
15 that you grant your approval today.

16 MR. TOURTELOT: Let's talk about another possible
17 situation that just came to mind. Thank God it came to me
18 during the meeting. What if the governor doesn't appoint
19 anybody for two years? What if you are not on the Board
20 because you can't serve on this meeting? We have to put
21 California first.

22 MR. FENLEY: I don't think that would happen. I don't
23 think it would happen. I don't think he would allow a
24 meeting to go by without a full quorum.

25 MS. MORETTI: He has another commission.

26 MR. TOURTELOT: He has another commission that -- I am
27 a big supporter of Governor Davis, and that would happen.
28 And the fact is that that would put them in an

0098
01 unbelievable position. What would happen if you all, if
02 you couldn't get approval because this Board didn't have a
03 quorum?

04 MR. FENLEY: I don't think that's the issue before the
05 Board.

06 MS. MORETTI: It's a good point.

07 MR. FENLEY: You are bringing it out of the blue.

08 Chilli, what do you have to say?

09 MR. CHILLINGWORTH: I wonder if I could be here as a
10 friend of the court. I don't have a dog in this fight.

11 MR. TOURTELOT: You don't even have a dog, do you?

12 MR. CHILLINGWORTH: I'm afraid I do. I just heard
13 John Van De Kamp make a snide remark. I am a director of
14 Oak Tree Racing Association. We are tenants of Magna.
15 That may change or taint my comments; but we do have
16 agreements and we do have disagreements.

17 We are not all in concert, but I can't understand
18 what the logic is in not approving this arrangement.
19 Either Paine Webber is going to have their entitlements in
20 2002 or they are not. If they are not, they are driven to
21 make another deal to make some money out of that property
22 for another year.

23 If they do get their entitlements, Magna can go
24 to Golden Gate Fields. If they have another facility,
25 they can go there. You have complete discretion over the
26 next few years to grant dates to whomever you want to
27 grant dates to.

28 They are risking a lot of money to take over
0099

01 these dates for a period of two years. And I assume they
02 have the expectation of being able to continue to want to
03 do a good job, but they don't have the right to tell you
04 to grant those dates. I don't. I have been in the racing
05 business for 30 years, and that's the position I take
06 today.

07 I don't know anybody else in this world who's
08 going to go to Northern California and invest hundreds of
09 millions of dollars on a new track out there. If you know

10 that person, identify them. I don't. I think Magna is
11 the only company who has shown any inclination to do that,
12 and I can't see why anybody would not agree to this
13 arrangement. Thank you.

14 MR. FENLEY: Can we have a ten-minute recess so I can
15 talk to you guys?

16 MR. TOURTELOT: I can't do that. That would violate
17 the Keen Act.

18 MR. LIEBAU: A suggestion that might help: What would
19 happen if the staff was directed to make sure that there
20 were adequate communications over the next few months
21 between Magna on one hand and TOC on the other and the
22 trainers to make sure that Golden Gate Fields comes before
23 you in September or October, that all of these
24 communications problems have been solved and get on with
25 our business?

26 MR. TOURTELOT: We don't need staff to tell you that.

27 MR. LIEBAU: I am just trying to get some comfort for
28 Mr. Fenley.

0100

01 MR. FENLEY: We don't know what Sheryl's position is
02 on this.

03 MS. GRANZELLA: Are you ready? I understand being
04 worried about what's going to happen in 2002. I know one
05 thing, that the only certain thing in life is
06 uncertainty. All right. And I am a businessperson, and I
07 feel that by not approving this today, we are holding you
08 up. I don't see anybody else beating down the door in
09 California for horse racing; and you have my vote.

10 MR. NICOL: Thank you.

11 MR. FENLEY: Now you have my vote.

12 MR. NICOL: Thank you very much.

13 MR. TOURTELOT: Anyone else want to speak? I hope
14 not.

15 MR. TOURTELOT: How can I go against Chilli? The fact
16 of the matter is I don't want to leave anyone out. I
17 don't want to get out without everybody having an
18 opportunity, if they believe it is important -- this
19 gentleman is going to talk.

20 MR. BICKER: I am Rick Bicker on behalf of the Alameda
21 Fair County Association. Thank you for referring to our
22 correspondence.

23 MR. TOURTELOT: I thought your letter was excellent.

24 MR. BICKER: Thank you. Opening date would be a
25 rising tide of all ships.

26 MR. TOURTELOT: It was a nice letter.

27 MR. BICKER: Clearly Magna is the game in town. They
28 are trying to come to town with \$20 million to be invested

0101

01 into the racing product. We stand ready to work with
02 Magna. We chalk most of that up to Magan's leadership for
03 California. We stand ready in Alameda County for what the
04 future looks like.

05 We would hope that this Board would send a very
06 clear message that your approval -- clearly it's your
07 intent that there be no adverse impact to day racing in
08 the Bay Area with this approval.

09 MR. TOURTELOT: That goes without saying. And I would
10 direct all of you to get together and to talk about these
11 issues and to be prepared to present to us at future
12 meetings some indication that you've worked out as many of
13 these problems as you can, especially stabling and the
14 overlap -- and we don't need to talk any more about
15 that -- and the improvements and renovations at Golden
16 Gate. I think you understand our feeling on that.
17 The Chair would call for a motion to approve the
18 application of Magna Entertainment to purchase stock of
19 BMOC; is that correct? All in favor.
20 MS. MORETTI: I second that motion.
21 MR. TOURTELOT: I'm being rushed to move this forward
22 before someone changes --
23 MS. MORETTI: I will move that we approve the proposed
24 acquisition of Bay Meadows Operating Company.
25 MR. TOURTELOT: Second?
26 MS. GRANZELLA: I'll second.
27 MR. TOURTELOT: All in favor, aye. Thank you.
28 (Motion was unanimously carried)

0102
01 MS. GRANZELLA: You think sometime in December or near
02 December or something, near the end of the year, you might
03 extend an invitation for, like, a tour of what's been done
04 at Golden Gate?
05 MR. NICOL: Absolutely. Thank you all very much.
06 MS. MORETTI: Thank you, Mr. Nicol.
07 MR. WOOD: Hold on one second.
08 Pardon me, everyone. Would you please -- we
09 have just a little bit more of the procedural things to
10 accomplish here. So please don't leave the room. We are
11 not finished here.
12 MR. TOURTELOT: The next item on the agenda is general
13 business communications requests for the future for the
14 Board to report. Yes, sir.
15 MR. SWEENEY: This comes under the heading --
16 Brian Sweeney.
17 MR. WOOD: Listen, ladies and gentlemen, please --
18 please, ladies and gentlemen in the back of the room, may
19 I have your cooperation back there. We have other
20 business to conduct. Please be quiet.
21 Go ahead again, Mr. Sweeney.
22 MR. SWEENEY: I am a licensed trainer and owner of
23 horses in California. This comes under the heading of
24 future business. I don't know whether we need to go
25 through the whole Board with this, but perhaps a committee
26 discussion for the Board's consideration is necessary.
27 The past couple of weeks there was an article published
28 that trainers that are in the saddling paddock must have a
0103
01 starter or cooler present; and this is by order of the
02 Board of Stewards.
03 Now, I don't know why this came into being at
04 this particular time, but I have a problem with being told
05 that, as a trainer, that I cannot go to the paddock unless
06 I have a starter in the deck. There is a loss of ability
07 to do business at the racetrack.

08 It interferes certainly with one of the special
09 pleasures that I have of going to the races. I like to go
10 to the paddock and look at good horses, and the suggestion
11 that trainers go to the paddock to do something that might
12 be dishonest or be there for some purpose of subterfuge,
13 that is something that I consider demeaning. And that is
14 the feeling I get when I talk to the stewards about this
15 particular subject, not to belabor the point.

16 MR. TOURTELOT: I agree with Mr. Sweeney. I don't
17 understand the reason for that rule.

18 MR. WOOD: Mr. Sweeney bought this to my attention, I
19 guess, a day or two ago, and I haven't had a chance to
20 talk to the stewards as to why that was put on the
21 overnight. I was thinking, why then would they do that in
22 California? Last year we had 2,700-plus horses playing.
23 I think there has been many concerns about the trainer in
24 the back checking horses, who may be in some instances
25 come up where they felt like they had an advantage by
26 doing that. And I will talk to the stewards about it and
27 see what their reason is.

28
0104

01 I do not know why that was on the overnight. As
02 I told Brian, I certainly agree with him as a former
03 trainer. I spent many an hour in the back, and as a
04 matter of fact here at Del Mar, at the back of the running
05 of the handicap race, where there were multiple owners in
06 the paddock who didn't have horses in the race. So I
07 think it is very hard to administer that.

08 So I can only tell you that I found out about
09 this about a day or two ago, but I can talk to the
10 stewards and find out their reason for it and get it
11 corrected.

12 MR. SWEENEY: Anybody -- the owner can get to the
13 paddock. It maybe was a rumor that licensed people,
14 whether they are owners or trainers, may not go to the
15 paddock for that purpose. And if they think people are
16 doing that, then do something about it. But just take us
17 out. You cannot go in and do that to the trainers. Then
18 what you'll have is only trainers who are able to go to
19 the paddock together.

20 It's really too complicated -- as Mr. Wood says,
21 it's too complicated to enforce. Only known trainers,
22 people who are around a lot, are the ones that the
23 stewards are going to be able to pick up.

24 MR. TOURTELOT: Brian, it makes sense. I don't
25 understand it either, and we will look into it. I don't
26 think it will come with a reason; we can agree with you
27 about that. So far you've convinced me that it didn't
28 sound right.

0105

01 MR. SWEENEY: Thank you.

02 MR. TOURTELOT: It doesn't sound reasonable, Brian.

03 Thank you.

04 Any other general business? Any old business?

05 MR. TOURTELOT: Well, with that then -- we don't have
06 an executive session today, do we?

07 MR. WOOD: No, sir.
08 MR. TOURTELOT: With that, we'll adjourn the meeting.
09 (Meeting adjourned at 1:43 p.m.)
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28